

# INFRASTRUCTURE INVESTMENT PLAN 2015



The Scottish  
Government  
Riaghaltas na h-Alba

# INFRASTRUCTURE INVESTMENT PLAN 2015

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## FOREWORD



Infrastructure investment is central to the Scottish Government's economic strategy and our vision for a prosperous, fair and well-connected Scotland. I am delighted to introduce this plan, which builds on the achievements delivered through our previous infrastructure plans and sets out a refreshed programme of long-term investment.

Our investment decisions are guided by the vision set out in the Programme for Government and directed towards the priorities of delivering sustainable economic growth through increasing competitiveness and tackling inequality, managing the transition to a lower carbon economy, enhancing public services, and supporting employment and opportunity across Scotland.

This plan complements the Scottish Draft Budget, published in parallel today. It has been finalised in the context of the recent UK Spending Review and continuing engagement with the UK Government about further fiscal devolution, including the expansion of the Scottish Government's borrowing powers.

The Chancellor's pursuit of austerity through choice rather than necessity has required the Scottish Government to respond creatively in the way it supports infrastructure development. Since the last Infrastructure Investment Plan was published in 2011, the Scottish Government has maximised investment in infrastructure through a combination of conventional capital funding, an ambitious programme of revenue-funded infrastructure, a range of innovative finance initiatives and by using the limited capital borrowing powers available from 2015-16 through the Scotland Act 2012. We have seen the benefits of our approach reflected in Scotland's labour market and in the development of our asset base.

The Scottish economy has now grown in each and every quarter of the last three years - the longest period of uninterrupted growth since 2001. Recently, Scottish growth has been particularly driven by the construction sector, reinforced to a large extent by public infrastructure investment. Our investment strategy needs to evolve to reflect that. We need to invest in ways that foster inclusive growth, because inequality threatens the long-term sustainability of our economy. We need to increase our competitiveness and productivity, through support to business and by making Scotland an attractive place to live and work. We need to invest in ways that will help us tackle the challenges presented by climate change and equip our public services to meet the demands of the future and support the process of reform.

This plan aims to meet these challenges across a diverse range of programmes and by delivering the following key commitments on:

- **transport** – we will complete the upgrading of our road connections between all our cities to dual carriageway, have an efficient rail and road network and further invest in all travel modes to allow Scotland's people to make informed choices on the carbon impacts of their travel and to ensure opportunities for everyone to contribute to a successful economy;

- **digital** - we will continue our commitment to world class digital infrastructure through to 2020 and beyond, ensuring that Scotland is an attractive place in which to invest and that digital infrastructure improvements in rural and remote areas keep pace with the rest of the country;
- **energy and energy efficiency** – we will create a new, overarching energy strategy to create a firm, long-term basis for energy investment in Scotland which will be a core element of the next stage of the Scottish Government’s approach to supporting the long-term decarbonisation of the energy system. This plan confirms energy efficiency as a national infrastructure priority, and sets out further details about Scotland’s Energy Efficiency Programme;
- **water** - we will continue to deliver improvements to drinking water quality, protecting the environment and reducing leakage;
- **waste** - we will focus on changing to a more circular economy where goods and materials are kept in use for as long as possible extracting the maximum value from them whilst in use;
- **rural economy and communities** - we will increase the Scottish Land Fund to promote and encourage communities to acquire assets to ensure Scotland's land works to the benefit of the people of Scotland, by contributing to both the prosperity and sustainable development of the nation;
- **health** - we will invest to support our 2020 Vision for health in Scotland, developing community infrastructure to support integrated health and care services, delivering new diagnostic and treatment centres to meet increasing demands, while maintaining and enhancing our existing estate;
- **education** – we will provide necessary capital investment to deliver the commitment to expand early learning and childcare facilities by 2020 and we will continue the successful Scotland’s Schools for the Future programme; and
- **housing** – we will work with our partners to deliver our aim of 50,000 new, high quality, affordable homes to meet requirements for a growing and ageing population, including the needs of those on lower incomes; boost purpose-built homes for private renting; continue market support through shared equity approaches; and take forward further plans with partners to help address the development, financing, infrastructure and collaboration issues constraining increased housing supply.

This plan sets out why we need to invest, how we will invest and what strategic, large scale investments we intend to take forward within each sector over the next 20 years.

We continue to live in an environment where there are many competing pressures and challenges which impact on investment decisions. We will seek to prioritise infrastructure investment based on our guiding principles of:

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

This is a consultative plan. Next year, subject to the outcome of the Scottish Parliament election, we will undertake a Scottish Spending Review, informed by the outcome of the fiscal framework negotiations. We will continue to make the case that Scotland should have at its disposal the widest possible set of powers to grow and sustain our economy. I would welcome views from across Scotland about the approach set out in this plan, which will inform the future development of our infrastructure investment strategy.

**Keith Brown MSP**

Cabinet Secretary for Infrastructure, Investment and Cities





# CHAPTER 1: THE STRATEGIC VISION FOR SCOTLAND'S INFRASTRUCTURE

## Chapter 1: The Strategic Vision for Scotland's Infrastructure

### 1.1 INTRODUCTION

This Infrastructure Investment Plan sets out priorities for investment and a long term strategy for the development of public infrastructure in Scotland. It sets out why the Scottish Government invests, how it invests and what it intends to invest in over the 2015 spending review period and beyond.

The last Infrastructure Investment Plan for Scotland was published in 2011. Much has changed since then and this new plan reflects a shift in focus and priorities in some areas, whilst recognising the significant progress that has been made in Scotland in recent years, for example we are progressing the Forth Replacement Crossing project on time and budget; we have delivered the New South Glasgow Hospitals project (the Queen Elizabeth University Hospital and Royal Hospital for Children), one of the largest healthcare facilities in Europe; completed 607 schools projects during this administration; since 2008 our policy framework has helped enable the installation of more than 900,000 energy efficiency measures in over 700,000 homes across Scotland; we have delivered 30,000 new affordable homes and have raised fibre broadband coverage from 66 per cent to 85 per cent of homes and businesses across Scotland.

This plan is intended to complement the Draft Budget 2016-17 and support the objectives set out in *Scotland's Economic Strategy (SES)* and the *Programme for Government (PfG)*.

This plan supports SES through a focus on strategic long term infrastructure priorities since it is well known that well planned investment in new or existing infrastructure can play a central role in improving competitiveness and driving inclusive economic growth. Over the period of the global recession, the Scottish Government has sought to deliver additionality in its infrastructure investment programme, maintaining overall levels of investment and supporting thousands of jobs. In doing so, the Scottish Government has sought to maximise impact and value for money for tax payers and society as a whole. This is more important than ever in a time when public resources are constrained.

The Scottish Government's long term aspirations for Scotland's infrastructure are set out in this plan, which also reflects a number of existing strategic projects and programmes to which we remain committed, including the upgrade of the A9/A96; the Edinburgh Glasgow Improvement Programme on rail; the Scotland's Schools for the Future programme; the delivery of affordable and social housing commitments; world class digital connectivity; capital funding for local government and a range of projects across the NHS, further and higher education and justice estates. The plan also reaffirms our commitment to Scotland's inclusion within a Britain-wide high speed rail network.

Alongside existing commitments this plan details support for a number of new initiatives which reflects the Scottish Government's view that a holistic approach is required that takes into account the wider benefits of investment and the way in which infrastructure projects are procured and delivered.

The benefits of infrastructure investment can be felt at national, regional, community and household levels. Nationally planned infrastructure attracts business investment, stimulates economic activity and deepens access to the labour market, which can all have important impacts at a local level. Our investment in infrastructure goes beyond one-off, large scale projects. Smaller scale, local interventions to our infrastructure networks can, together, make a nationally significant contribution to supporting economic growth and tackling inequalities. This plan sets out significant local investment which will benefit individuals, families and communities, from increased housing provision, and the development of local digital networks, to the expansion of nursery and childcare provision. It establishes energy efficiency as a national infrastructure priority for the long term, underlining the Scottish Government's commitment to tackling climate change and fuel poverty.

The Scottish Government will continue to maximise the contribution of private investment in the Scottish economy. We recognise the importance of private sector infrastructure investment and the relationship between Scottish Government investment plans and private sector infrastructure plans.

Scotland's strengths in attracting investment include our people and it is vital that opportunities for developing, retaining and exploiting our natural pool of talent to support the long term delivery of infrastructure projects, in both public and private sectors, are provided. We recognise the importance of developing and retaining these skills within Scotland to achieve our goals.

We will also continue to protect and enhance our natural capital, our brand and reputation as a country of outstanding and natural beauty, our commitment to low carbon and the opportunities our resources and assets provide for our economy and future generations.

## **1.2 HOW INFRASTRUCTURE INVESTMENT CONTRIBUTES TO MAKING SCOTLAND THE PLACE WE WANT IT TO BE**

The Scottish Government wishes to create a fairer and more prosperous nation, in which opportunities are open to everyone, and where, because of that, everyone is able to contribute their talent, skill and commitment. We aim to make Scotland the best place in the UK to do business by focusing on innovation, skills and productivity.

### **A Stronger Fairer Scotland**

Scotland has shown the world that it is a democratically engaged society. The Scottish Government is accountable to the citizens of Scotland in all that it does and we are committed to protecting individuals' rights and reflecting our drive to achieve social justice and equality in all that we do.

Our infrastructure investment must also reflect these values and this plan focuses on programmes and initiatives that will drive inclusive growth and promote equality in Scotland.

## **A Strong Sustainable Economy**

Increasing competitiveness and tackling inequality are the two mutually supportive goals of *Scotland's Economic Strategy* (SES). Both are necessary pre-requisites for boosting productivity and creating greater prosperity for all.

Our ambition is that Scotland is seen as the best place in the UK to do business for our indigenous companies and inward investors. We will do this by focusing on skills, productivity, innovation and fair work. Our planning system is a key route through which the Scottish Government can help businesses to invest and grow. In June 2014 we published Scotland's third *National Planning Framework* (NPF3) and revised *Scottish Planning Policy* (SPP). NPF3 is the spatial expression of our economic strategy, about where opportunities and challenges are. SPP introduces a presumption in favour of development that contributes to sustainable development. Giving due weight to the net economic benefit of development proposals is part of the contribution to sustainable development along with other matters including climate change and improved wellbeing.

Transport and digital infrastructure are key areas where improving connectivity between our cities and centres of economic activity is vital to boosting productivity and competitiveness. Improving connections between more remote and rural communities is another important aim. For many, digital connectivity is as critical as physical connectivity in accessing health, economic, social and educational opportunities.

The Scottish Government will continue to target investment in infrastructure projects that maximise wider economic benefits. This plan sets out how we intend to invest to create a strong sustainable economy, for example by:

- overseeing the significant expansion of our digital infrastructure;
- continuing our major programme of investment in road, rail and ferries;
- investing in early years and childcare, allowing more people to work;
- continuing to collaborate across the public and private sectors to stimulate a major pipeline of new housing supply, leveraging in additional private sector investment to make our direct investment go further; and
- investing in public sector enabling infrastructure to leverage additional private sector investment across Scotland, for example through the use of the Tax Incremental Financing (TIF) and the Growth Accelerator (GA) models, and accessing private finance to deliver revenue-financed infrastructure through the NPD/hub programme.

The Scottish Government will continue to engage with industry partners to ensure that the market opportunities that public investment can present for Scottish business and industry are transparent and well understood. Through our Enterprise Agencies, we will launch a Manufacturing Action Plan for Scotland that will deliver concrete initiatives to boost productivity, stimulate innovation and investment and support supply chain development. This will be a dynamic strategy that will evolve in line with changes in the Scottish economy and future updates to this infrastructure plan.

The new sustainable procurement duty means that authorities should consider how economic, social and environmental wellbeing impacts within their area when making purchasing decisions. Within that duty it will be appropriate to consider the contribution that can be made by strategically significant industrial sectors, for example steel and other manufacturing.

Meeting Scotland's ambitious greenhouse gas emissions targets requires a comprehensive approach to low carbon infrastructure which also tackles climate change. Establishing Scotland as a low carbon place is already a central theme of NPF3 and we are broadening our infrastructure approach, building on the success of our approach to renewable energy, to improve the efficiency of Scotland's homes and non-domestic building stock.

### **Protecting and Reforming our Public Sector**

High quality and efficient public services help to build a society that is fair and prosperous. Our world is changing and our services must respond to changing public demands and expectations. This will include responding to changes in demography, the geographic spread of our people and in the way that we access and consume services. Investment in digital public services forms an essential part of the Scottish Government's aspirations for public service reform and an approach built on a strong customer focus.

We will continue to work with our partners to develop and deliver our reform and improvement agenda and to ensure Scotland's public services and assets are fit for purpose both for the world we live in now and in the future. A high quality, robust and secure digital infrastructure is critical to this ambition and we will therefore continue to build and sustain a national digital ecosystem of shared service capabilities based on open standards and an open systems architecture. This will enable us to share common technologies and processes across different public services, providing a common experience for users and helping to ensure that we maximise the efficiency of our investments. Over the coming years, this infrastructure will provide the capability to support a series of key digital programmes covering services in areas such as health, justice and the environment.

### **Strengthening our Communities**

Scotland's communities are diverse; made up of people with rich and varied backgrounds who each have something to contribute toward creating a more prosperous and fairer Scotland.

There is a vibrant and diverse range of community-led initiatives underway, including managing renewable energy and local broadband projects, running childcare services, preserving local heritage and managing forestry enterprises. The work of these groups is having an impact from our islands and remotest rural villages to the hearts of our cities and towns.

We want to ensure that more of the money we spend is directed by communities themselves - by the individuals and organisations who know best how to tackle poverty and inequality, harnessing the energy of local people.

When people feel they can influence what happens in their community, and can contribute to delivering change, there can be many benefits, and our aim is to support approaches that can contribute to a growing sense of democratic renewal and change.

Our vision is one of a truly connected Scotland, with first-class road and public transport links between our cities and across our wider geography. Work is already underway to dual the A9 and A96, connecting Inverness with Aberdeen and the central belt, meaning that our seven cities will be connected by transport links appropriate to the Scotland we want to see. This includes major investments in the rail links between these cities to ensure modal choice is available to all travellers.

Investment in ferry and rail services will also ensure they have the capacity and capability to support continued passenger growth in the coming decades.

We are taking action across Government programmes to empower our island communities and, recognising the important role infrastructure plays in realising our islands' potential, we will prioritise relevant transport, energy and digital investment.

Improving digital infrastructure, both fixed broadband and mobile services, is a key priority. Whilst the rollout of fibre broadband is well underway, further investment will be required if we are to become a world leading digital nation. Our focus over the next 5 to 10 years is to build on current activity and ensure that the necessary investment (both public and private) is made in fit for purpose digital infrastructure across all of Scotland.

New strategic electricity grid reinforcements are still required to unlock the economic potential of developing large-scale renewable energy projects on the Scottish islands. The Scottish Government has been clear that this is a top priority and has been working with the UK Government and key stakeholders through the Scottish Island Renewables Delivery Forum to facilitate work towards the delivery of the island links.

### 1.3 SCOTLAND'S ECONOMIC STRATEGY

The Scottish Government's economic strategy was refreshed through the publication of *Scotland's Economic Strategy* (SES) in March 2015. Investment in infrastructure is a key driver of both short and long-term economic performance and makes an important contribution to delivering the ambitions set out in the strategy. SES is based on the two mutually supportive goals of:

1. increasing competitiveness; and
2. tackling inequality.

SES sets out four priority areas for achieving these overarching aims:

1. **investing** in our people and our infrastructure in a sustainable way;
2. fostering a culture of **innovation** and research and development;

3. promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion; and
4. promoting Scotland on the **international** stage to boost trade and investment, influence and networks.

SES identifies investment as one of the four priority areas and sets out how we will:

- invest in Scotland's people at all stages of their life to ensure that we have a well-skilled, healthy and resilient population and an innovative, engaged and productive workforce;
- provide the physical and digital connectivity needed to ensure that all of Scotland is open to the national and global economy and is able to access high quality public services;
- invest in Scotland's infrastructure to help Scottish businesses to grow, innovate, and create good quality employment opportunities;
- prioritise our investment to ensure that Scotland protects and nurtures its natural resources and captures the opportunities offered by the transition to a more resource efficient, low carbon economy; and
- invest in strengthening the success and resilience of local communities.

Investment is key to driving long-term improvements in competitiveness and in creating opportunities for everyone in society to benefit from these improvements. Infrastructure contributes to productivity, economic activity and people's well-being in different ways. This could be in the form of improved journey times, more accessible public transport, greater digital connectivity, higher quality affordable housing or new techniques to improve our environment.

#### **1.4 FURTHER FISCAL DEVOLUTION**

The Scottish Government will continue to use its devolved powers to boost the Scottish economy and tackle inequality, but many of the powers to shape the structure of the economy remain reserved to the UK Government.

The Scotland Act 2012 came into force on 1 April 2015 giving Scotland limited 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 will bring about new opportunities to finance, deliver and manage Scottish infrastructure assets in line with long term economic cycles. We will continue to press for the full implementation of the Smith Commission recommendations on borrowing.

## **1.5 STRATEGIC FINANCIAL PERSPECTIVE**

The UK Spending Review 2015, published on 25 November, has now set devolved Scottish budget totals for the period 2016-17 to 2020-21. Over this period, the annual Scottish Capital DEL budget will increase by £1.9 billion. However, this is still lower than Scotland's capital budget was in 2010 in real terms. Scottish Ministers have consistently argued for an alternative to the UK Government's austerity measures, which have resulted in cuts to investment and to public services and which risk undermining economic recovery. Therefore, over and above planned traditional capital spending, we will continue to take forward an extensive programme of revenue-funded infrastructure investment, including through our hub programme of schools and NHS developments. The Scottish Draft Budget 2016-17 confirms the intention to make full use of current capital borrowing powers to borrow up to £316 million in 2016-17. We will also make further use of financial transactions funding.

## **1.6 PRIORITIES**

Investment decisions must balance competing pressures and challenges including financial and constitutional constraints described above. These limit the amount of capital which can be invested.

The PfG and SES provide a clear strategic direction for our infrastructure investment decisions. To further assist with decisions on the prioritisation of projects, the Scottish Government has developed a set of guiding principles:

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

These principles provide the framework for investment decisions and enable a wide range of projects to be considered in the context of how they promote the Scottish Government's overarching purpose. This high level assessment of the outcome of proposed projects and programmes is refined over time, as business cases are developed.

The focus of this plan will enable households across Scotland to benefit from improved and sustainable economic opportunities through increasing competitiveness and tackling inequality. Further, our strategic investment aims to move Scotland toward a lower carbon economy, while supporting delivery of efficient and high quality public services, and employment opportunities across Scotland.



## **Transforming early learning and childcare provision**

Investment in Early Learning and Childcare (ELC) remains one of our most important policies to improve outcomes for children and support participation in the labour market, especially for women.

In the PfG, the First Minister confirmed that the Scottish Government will take forward a radical expansion of ELC provision between now and 2020, including the infrastructure required to support the commitment to expand provision for three to four year olds and eligible two year olds from 600 to 1140 hours per year, equivalent to 30 hours per week during term time. We are committed to delivering the 1140 hours commitment by the end of the next Parliament, and the capital investment is forecast to be spread over three years from 2017-18 to 2019-20.

Scotland subscribes to The Organisation for Economic Cooperation and Development (OECD) and European Commissions' rationale for state provision of early learning and childcare, which is to:

- promote social justice by providing the best start in life for all children and thereby improve children's outcomes;
- develop gender equality, particularly in labour market participation;
- reduce further costs on demand for public services; and
- encourage economic growth.

Therefore, investment in ELC is fundamental to the two key pillars within the SES of increasing competitiveness, and tackling inequality.

## **Enhancing housing supply in Scotland**

The Scottish Government's vision for housing is that "all people in Scotland live in high quality sustainable homes that they can afford and that meet their needs." We have a major ambition to increase and accelerate the delivery of new housing supply, particularly affordable housing, in Scotland. We see this as central to support achievement of the Scottish Government's economic, social justice and health ambitions.

We have a strong record on housing and have been working hard with our partners to boost supply across all housing tenures and to tackle the significant shortfall of affordable housing compared to Scotland's needs. We also started a new generation of council house building. And we have taken steps to safeguard social housing for the future by abolishing the right to buy. Over the lifetime of this Parliament, our planned investment in affordable housing will exceed £1.7 billion and we have already met our target of 30,000 affordable homes by March 2016. The Scottish Government has also focused on addressing market failure through support for private home ownership, providing equity products through the £305 million Help to Buy (Scotland) and Small Developer schemes to address restricted mortgage lending and housing affordability post-2008.

Despite strong delivery to date on housing interventions to increase both affordable and market housing, not enough homes are being built. There is a persistent gap between actual supply and projected requirements. National Records of Scotland 2012 based household projections predict an increase of 325,000 households in

Scotland over the period 2014 to 2034. This is why the Scottish Government has committed to a new, ambitious five year target to deliver 50,000 affordable homes over the lifetime of the next Scottish Parliament and will invest more than £3 billion to deliver it and continue market support through shared equity approaches. This year we and our partners agreed a 'Joint Housing Delivery Plan for Scotland' and are taking forward the required actions in a system wide response to raise ambition and delivery across the housing sector.

The planning system has a key role to play in enabling development and delivering our ambition. The PfG included a new commitment to undertake a wide-ranging review of the planning system, with a strong focus on improving the effectiveness of planning processes that support the delivery of good quality housing developments.

The review is being undertaken by an independent panel and all sectors and members of the public were invited to contribute written evidence to the review by the beginning of December to inform the process. The panel will make recommendations to Scottish Ministers in Spring 2016. The Scottish Government will issue its response to the findings of the review panel later in 2016.

It is important to ensure that new homes of the right size, type and tenure are built in the right location. Our programmes continue to support this but more can be done to bring forward additional developments. One barrier to development highlighted by local authorities and developers is infrastructure blockages; in some cases significant up-front investment is needed to support development in these locations. Across Scotland there are number of such strategic sites that could offer a major increase in housing supply across all tenures. The delivery of infrastructure is also a key area for the planning review. It is considering whether existing funding and delivery mechanisms are fit for purpose as well as the need and scope to introduce alternative solutions to ensure planning can do all it can to enable development.

To address infrastructure and other issues constraining affordable housing supply, we will work with local authorities and other partners to put in place new investment and other actions to tackle the complex development, financing, infrastructure and collaboration issues impeding housing supply in Scotland. Scotland has pioneered innovative housing financing models and we wish to build on that success to lever additional private finance at larger scale.

## **Digital**

The digital revolution can impact the lives of everyone in Scotland in a positive way and the Scottish Government's Digital Strategy reflects this transformational change.

A recent report commissioned by Scottish Futures Trust (SFT) suggests that increased digitalisation could boost the Scottish economy by up to £13 billion. As well as having the potential to generate significant economic benefits, increased digital capabilities will also have a positive impact on the provision of health, education and social inclusion.

Ensuring Scotland is a world leading digital nation is an ambition shared by many right across all areas of Scottish society. This ambition is four-fold: a Scotland where our people have access to the best of digital technology and are capable and confident in its use at home, at work and on the move; where our businesses have the skills and confidence to exploit digital technologies; where the economic environment encourages digital innovation and supports the creation, growth and development of businesses; and where Scotland is seen as an attractive place for inward investment in digital technologies.

The Scottish Government has long recognised the benefits of world class digital connectivity across the whole of Scotland, and its vital role in enabling a vibrant and inclusive digital nation. *Scotland's Digital Future: Infrastructure Action Plan* outlines a commitment to a future proofed infrastructure that will deliver world class connectivity across the whole of Scotland by 2020, with an interim milestone of delivering a step change by 2015.

## **Health**

Our priorities for investment in healthcare infrastructure are driven by the investment principles established by the Scottish Government, and by the need to support, through investment, the quality ambitions established in the *NHS Healthcare Quality Strategy*, that healthcare will be patient-centred, safe and effective. Putting in place the right assets and facilities services is crucial to achieving our '2020 Vision' for health. This will require significant change to our assets and facilities.

We will prioritise investment that supports this change. New diagnostic and treatment centres will allow planned surgery to take place more quickly and will support increased demand through demographic changes. At the same time, we will invest in both new build and reconfiguration of community health facilities to support a shift of care into communities. Meanwhile we will continue to manage the existing estate to ensure it is safe, reliable and fit for purpose. Investment in renewables and energy efficiency will help reduce energy costs and tackle greenhouse gas emissions. Our final priority is the completion of the £1.15 billion programme of revenue-funded infrastructure investment that is already in progress.

Infrastructure can impact directly on the quality of life in communities, whether in relation to how services are accessed, movement and transport or in the quality of the physical environment. Ensuring that there are appropriate methods to evaluate how infrastructure investment considers the needs of, and impact on, communities is an important element in linking investment with action to reduce inequalities. The Scottish Government has worked with NHS Health Scotland and Architecture and Design Scotland to develop a Place Standard evaluation tool. Place Standard has been designed to allow decision makers, communities and the private sector to come together and consider key issues related to improving quality of life and reducing inequalities within a consistent framework. Place Standard aims to create positive and structured conversations between key groups which lead to investment decisions that consider how investment can maximise the potential to improve the quality of life in communities across Scotland.

## **Transport**

Investment in Scotland's transport infrastructure will support the sustainable travel hierarchy as set out in the *National Transport Strategy* (NTS) and SPP. Improvements to digital networks will help reduce the need to travel, following which walking and cycling represent the most sustainable modes of travel. Our policies support increases in walking and cycling for short, everyday journeys, but priority must be placed in making these active forms of travel as easy, safe and attractive as possible. This means improved routes as well as facilities at the destination and integration with other forms of transport including road and rail based public transport options. Local facilities should also connect into the national walking and cycling network of longer distance routes, identified by the Scottish Government as a national development in NPF3 and being developed by Scottish Natural Heritage (SNH), Scottish Canals and Sustrans Scotland.

NPF3 is clear that enhanced connections between cities and within city regions is vital, in particular enhanced rail connections as we decarbonise our transport networks. As part of that objective to provide a more efficient, lower carbon travel option we will continue to advocate and promote Scotland's inclusion within a Britain-wide High Speed rail network that links Edinburgh and Glasgow with London and other major cities.

The key priority for the strategic transport networks is to ensure that all of Scotland can contribute to its success. It is vital that the range of modes available reflects the needs of commuters, business and tourists with the motivation for each being different. Investing to connect all of Scotland's cities by dual carriageways was a key part of the 2011 Plan and good progress is being made on this.

The Scottish Government is committed to supporting Scotland's remote island communities. Contracts for two new major ferries for Clyde and Hebrides services have been awarded to Ferguson Marine Engineering Ltd of Port Glasgow. As part of a major investment, Brodick harbour redevelopment will be progressed over the next three financial years to secure a safe, efficient and reliable ferry terminal and service.

Investment in Scotland's railways, whether through funding the rail services under the rail franchise or in the management and enhancement of the railway infrastructure, directly supports the Scottish Government's purpose and seeks to deliver our aspiration for the railway. We have taken important steps to improve capacity, journey times and performance through improvements to infrastructure, an expansion of services and an enlargement of the geographical scope of the network. However, more is required to achieve our ambition for a railway that offers value for money, acts across the industry in a coordinated, integrated manner, supports social cohesion, particularly for more remote areas, improves access to and opportunity for employment, education, leisure and, most importantly, has a relentless focus on passenger interests. Among the key enablers of this would be the full devolution of Network Rail in Scotland. The Cabinet Secretary for Infrastructure, Investment and Cities has written to the UK Transport Secretary seeking this and also made representations to the Shaw review, which is considering Network Rail's future shape and financing.

### **Energy Generation**

Our approach has led to dramatic changes in the energy system in Scotland over the last decade. Renewable electricity output has risen three-fold in 10 years and the equivalent of half our entire electricity use is met by renewables.

However, there are new challenges facing the energy sector as a whole, including a raft of UK regulatory and policy changes, particularly those aimed at cutting support for onshore wind and solar power but also the withdrawal of support for the only credible technology which can reduce large scale emissions from gas powered electricity generation – Carbon Capture and Storage, which now threaten the Scottish Government's approach to energy. These changes, combined with the sustained uncertainty concerning future levels of support for other technologies such as offshore wind, will have an impact on Scotland's ability to meet its renewable energy targets and will put crucial investment and jobs at risk.

In September, the Minister for Business, Energy and Tourism announced his intention to develop a new overarching Scottish Energy Strategy. The aim is to create a firm, long-term basis for energy investment in Scotland and will be a core element of the next stage of the Scottish Government's approach to supporting the long-term decarbonisation of the energy system. The strategy will also aid us in optimising the benefits to Scotland's communities, consumers and businesses, and drawing on our significant energy resources and expertise.

Our energy supply sector also makes a significant contribution to our economy both from the growth of renewables but also from the more established extraction and generation industries. North Sea oil and gas has made an enormous economic contribution to the Scottish and UK economies over the last 40 years. However, as the basin matures, future developments are more technically challenging, and, within the current context of a low global oil price, it is critical that both the regulatory and fiscal regime ensures that the industry is able to continue to attract investment.

## **Energy Efficiency**

Recognising the importance of energy efficiency, the Minister for Environment, Climate Change and Land Reform announced in June 2015 that energy efficiency would be assigned the status of a national infrastructure priority.

Investment in domestic energy efficiency helps tackle fuel poverty, reduce greenhouse gas emissions, and therefore helps to meet climate change targets, and supports the economy through providing opportunities for regional SMEs to be involved in the delivery of Scottish Government programmes.

Furthermore, by investing in the energy efficiency of our businesses, we will help to ensure that energy costs are affordable for our businesses helping them to remain competitive on the global stage. This investment will provide local employment, benefiting people and communities across Scotland and help grow our low-carbon economy.

The cornerstone of this activity is Scotland's Energy Efficiency Programme (SEEP), which will set a vision that achieves a substantive improvement to the energy and heat efficiency of our building stock, investing in the majority of our existing buildings to make them fit for Scotland's low carbon future. In the future SEEP will provide multi-year funding to improve the energy efficiency of buildings in Scotland over a 15-20 year period and will draw on the success of our existing area based approach and incorporate new powers over energy company obligations which are to be devolved. By assigning energy efficiency the status of a national infrastructure priority and establishing a clear delivery programme, we will ensure long-term stability for energy efficiency and heat funding and policy to give home and business owners, and our private sector partners, the certainty to invest in improving the energy efficiency of Scotland's buildings.

The new programme is now in its first phase, which involves delivering existing programmes more effectively, developing new pilot schemes and preparing for the effective implementation of the powers that are set to be devolved through the Scotland Bill. The second phase will commence around 2018 when the new powers come into effect and we are able to tackle fuel poverty and enhance energy efficiency more comprehensively than ever before.

## **1.7 TACKLING INEQUALITIES: ROLE OF INVESTMENT**

Tackling inequality is one of the twin goals of SES and is also key to this plan's success. Our investment in infrastructure aims to address inequalities in society and also to promote equality in terms of protected characteristics, including gender, ethnicity, disability and age. While some progress has been made against a range of indicators, we still need to do more to address the structural causes of inequality.

Infrastructure investment in general improves access to labour markets, supports increased participation and reduces inequality by making employment opportunities more accessible. It is also important in terms of which communities benefit from investment and how that benefit is distributed. This plan supports the aim of tackling inequality through an overall approach that balances economic and social investment and reflects our strategic aim to create a fairer Scotland.

### **Early Learning and Childcare**

Investment in Early Learning and Childcare (ELC) promotes social justice by providing the best start in life for all children and thereby improving children's outcomes. It also increases parents' labour market participation, which in turn promotes economic growth and reduces the costs of public services more generally.

Bearing in mind that women are often the primary carers of children, this investment benefits women in particular. Access to affordable ELC remains a significant barrier to many women seeking to return to work, after taking time out to have a baby or to look after infants or others in the family. Although Scotland's female employment rate is now the second highest in Europe (Eurostat, 2015), many women still face too many challenges in the labour market, so this investment is important.

### **Education – Schools**

Education is a fundamental element of investment for equality and available capacity is essential to enable growth and sustainable places. Local authorities, as both education and planning authorities, are well placed to work with developers to support additional education infrastructure where required. Substantial progress has been made since 2011 in improving the condition of Scotland's primary and secondary schools, working in partnership with local authorities. However, further investment is needed in order to deliver our policy commitment to reduce the number of pupils in poor condition schools and as part of co-ordinated action to enhance our children's experience of learning, whether that be through curriculum improvements, targeted measures to support better attainment, better provision of school meals and importantly, their physical environment. We are taking targeted action to deliver significant improvements in areas with high levels of multiple deprivation.

### **Education – Further and Higher Education**

Investment in further and higher education has an important impact on addressing inequality through widening access to university and developing the young workforce. Ensuring the college and university estates are fit for purpose supports their ability to deliver high quality environments that reflect current practices in the workplace as well as supporting effective learning and the quality and impact of

universities' research expertise. Investment in college and university estates promotes participation through delivering improved access for disabled people to teaching, student support and social spaces.

## **Housing**

The Scottish Government is committed to working with businesses and communities across Scotland to deliver a strong economy supporting a fairer society. Investment in housing contributes to boosting employment and creating a strong economy, building a fairer Scotland and empowering communities.

A sufficient supply of new homes and maintaining and improving existing housing is an essential element of Scotland's economic development and the delivery of our ambitious climate change targets. Housing availability is central to economic stability and security and integral to labour market flexibility, a pre-requisite for sustained economic growth. More and better housing leads to construction jobs and makes it easier for other workers to move around, helps to make appropriate housing available to more people and, done well, good local housing provision empowers and anchors communities.

A sufficient supply of accessible housing is also an essential part of delivering a healthier Scotland and to help older people and disabled people to live independently and safely at home. Appropriate housing for older people is becoming particularly critical to respond to a rapidly ageing population, help tackle preventable morbidity amongst that ageing population, and facilitate independent living and social care, allowing older people to remain at home for longer. We are looking at the issues raised by Disabled People's Organisations (DPOs) about the availability of accessible housing for disabled people and working with DPOs to consider what further actions may be necessary. The correlation between disadvantage and poor housing, means measures to increase the supply of new, affordable and high-quality homes should have a positive impact on disadvantaged groups, including the fuel poor.

We have listened to rural stakeholders and to help address the unique issues associated with provision of housing in rural Scotland, we will introduce a Rural Housing Fund. The aim of this fund will be to increase the supply of affordable housing of all tenures in rural areas of Scotland. Further detail on these initiatives can be found in Chapter 3.

## **Digital**

Widespread availability of high quality digital connectivity across the whole of Scotland is critical to Scotland's future and is a central component of Scottish Government policy and the SES. It can support local business growth, benefit tourism, increase social cohesion, improve access and delivery of public services and help to reverse depopulation of rural and remote areas. It can also reduce the need to travel and support increased home and remote working.



Digital technology is becoming an integral part of life and business and we are maximising opportunities which allow people to develop the confidence and skills they require to participate in a Digital Scotland. We are adopting an approach in delivering digital opportunities which encompasses all age groups from 'cyber tots' through 'cyber teens' to 'silver surfers'.

We published our digital participation strategy, *A National Framework for Local Action* in 2014. The strategy sets out how the Scottish Government will work with public, private and third sector organisations to ensure that digital technology is not allowed to reinforce social and economic inequalities.

A digitally enabled Scotland therefore underpins the Scottish Government's commitment to create opportunities for all to flourish, through increasing sustainable and inclusive economic growth.

Scotland has some of the most challenging and rural geography and left to the commercial market alone, only 66 per cent of homes and businesses across Scotland would have been connected to next generation broadband infrastructure. The Highlands and Islands would only have seen 21 per cent coverage with no commercial coverage planned for the Western Isles, Orkney Islands and Shetland Islands. Many rural communities and businesses across Scotland would have been excluded from improved digital connectivity if left to the market alone, bringing a range of social and economic challenges.

Our investment in digital infrastructure will help to address regional disparities in economic performance; encourage strong rural towns and island communities; and open up access to key services and markets for all across Scotland.

The range of initiatives which we are working on with partners to tackle Scotland's digital skills shortage includes efforts aimed at closing the gender gap which exists in this area. We need more women to pursue the qualifications, training and career choices which will enable them to play their part in achieving a world leading digital economy.

This key objective underpins our *Digital Skills Investment Plan* and the partnership-funded projects established under it – such as 'CodeClan', the digital skills academy recently opened in Edinburgh, and 'Digital World', the multi-channel marketing campaign set up to attract more people towards careers in digital.

## **Health**

Investment in healthcare infrastructure is crucial in tackling inequalities and promoting equality. Investment in new and improved facilities can improve access to important healthcare services, and provide accommodation suitable for outreach services and integrated teams, spanning health and social care, which are better able to serve their populations. In addition, investments in infrastructure can provide training, education and employment, improving the opportunities available.

For example:

- the £842 million New South Glasgow Hospitals project established a number of key economic targets to be incorporated into the project delivery, with a

particular focus on targeted training and recruitment. The project established a target of 250 new entrant recruits, including 88 apprentices; and

- the £10 million Possilpark Health and Social Care Centre is part of Phase 1 of a regeneration process underway for the area which will transform the area's physical environment. The new centre provides improved access to a range of primary care facilities; accommodation for adult nursing, health visiting teams and secondary care outreach services; health improvement teams offering smoking cessation support and children and young people health services.

### **Transport and connectivity**

Transport infrastructure facilitates aggregation and helps firms connect more readily to markets. Transport Scotland will take forward plans that balance strategic economic objectives with the need to promote modal shift and balance funding for new assets with the maintenance of current ones. Our investment in transport across Scotland will deliver the best possible connectivity across the roads and public transport network, improving journey times and tackling inequality by improving accessibility of services and opportunities. Further, we aim to invest in a way that reduces carbon emissions in Scotland.

Infrastructure provision, in particular improving transport infrastructure, can be instrumental in lowering regional disparities and boosting the overall productivity of the country. The OECD suggests that integration of transport infrastructure plans with land-use and social policies could also raise well-being and social welfare by reducing commuting times and contributing to inclusive growth. Geographical and social segregation can be caused from insufficient transport infrastructure.

As well as investing in infrastructure, we are continuing to fund schemes that ensure that transport is sustainable and affordable for everyone. Reflecting the diverse geography and population of Scotland, the Air Discount Scheme provides discounted fares on eligible routes and funds lifeline services which cannot be provided commercially. With the Road Equivalent Tariff scheme we link ferry fares to the cost of travelling an equivalent distance on land, and covers fares for passengers, cars, small commercial vehicles and coaches. We have a policy of limiting train fares to no more than inflation, and freezing off-peak fares if inflation stays below 3.5 per cent. We also reimburse bus operators for participating in the National Concessionary Travel Scheme, and provide funding to them to invest in greener, less polluting vehicles.

Recognising the physical barriers which may restrict disabled passengers in accessing transport we will work with disabled people and transport providers to develop a national vision and action plan for accessible transport for all in Scotland.

Our planning system is already designed to ensure that when development plans are prepared they account for the relationship between land uses and transport needs/demands. We have undertaken and reported on research on the key actions needed to help deliver infrastructure improvements related to new development.

## **Energy Efficiency**

Our focus on energy efficiency and demand reduction will help to tackle deep-rooted inequalities and eradicate fuel poverty by making Scotland's homes more affordable to run and healthier to live in. Fuel Poverty is driven by three factors: income levels, energy prices and the energy efficiency of the home. The Scottish Government, even with the proposed additional powers under the Scotland Bill, will only have limited levers over the first two of these and it is vital therefore that we can do all we can to improve the energy efficiency of Scotland's homes if we are to continue to tackle fuel poverty over the long term.

The Scottish Government operates a range of fuel poverty and energy efficiency and heat programmes, each with their own eligibility criteria. These programmes will have the greatest positive impact on older people and disabled people and single adult households as these are the groups most likely to be in fuel poverty. Over time all households, in both new and existing housing, should see positive benefits from improvements in energy efficiency, comfort and housing quality.

We have also developed innovative solutions with partners and continue to look for such opportunities. For example, we provided loan funding to and supported the development of Our Power, an energy supply company set up by a consortium of Registered Social Landlords to supply gas and electricity to their tenants. The business model should enable them to reduce their tenants' energy bills by up to 10 per cent further helping to reduce the number of households in fuel poverty living in the social rented sector. Over the next five years they aim to have 150,000 customers. Our Power plans in future to develop in-house generating capacity via renewables projects, aiming in this way to retain the value of Scotland's renewable energy resources for communities and households with high levels of fuel poverty.

## **Regeneration**

It is widely acknowledged that regeneration plays a vital role in stimulating sustainable economic growth and in promoting equality by supporting those communities suffering the effects of deprivation and disadvantage, addressing market failure, and increasing opportunities for those areas to attract investment and jobs. As with the PfG and SES, the *2011 Regeneration Strategy: Achieving a Sustainable Future* reflects the core values of stimulating sustainable economic growth and tackling inequality.

The strategy sits within the wider context of other policies, including those focussed on infrastructure and capital investment, alongside social policies and can be seen as an integrated theme of our infrastructure investment activities in Scotland. We are already delivering significant regeneration outcomes and recognise that these should be embedded in our ways of thinking and as such should be considered as an integral part of the process in taking investment decisions locally, regionally and nationally. Further information on regeneration and associated outcomes, is contained in Chapter 2.5.

## 1.8 CLIMATE CHANGE OBJECTIVES

The Climate Change (Scotland) Act 2009 set world leading and challenging targets for reduction of greenhouse gas emissions across Scotland of 42 per cent against 1990 levels by 2020 and at least 80 per cent by 2050.

The 2009 Scottish Government's *Climate Change Delivery Plan* sets out four transformational outcomes, which we continue to work toward:

- a largely decarbonised electricity generation sector by 2030;
- a largely decarbonised heat sector by 2050 with significant progress by 2030;
- almost complete decarbonisation of road transport by 2050 with significant progress by 2030; and
- a comprehensive approach to ensure that carbon (including the cost of carbon) is fully factored into strategic and local decisions about rural land use.

*Low Carbon Scotland* (2013), the second *Report on Policies and Proposals* (RPP2), contains the Government's plans to meet Scotland's climate change targets up to 2027. Work has started on the third report (RPP3) that will detail the plans to meet the targets up to 2032. In June 2015, the Minister for Environment and Climate Change announced to parliament a set of measures in response to the latest statistics on carbon emissions and delivery of Scotland's statutory climate change targets. In 2016, the Scottish Government will set statutory emissions reduction targets for the year 2027 to 2032 and subsequently will publish policies and proposals showing how it will deliver the annual targets.

Directly linked to meeting these targets are our Energy Targets:

- 100 per cent electricity demand equivalent from renewables by 2020;
- Interim target of 50 per cent electricity demand equivalent from renewables by 2015;
- 11 per cent heat demand from renewables by 2020;
- 12 per cent reduction in final energy consumption by 2020;
- At least 30 per cent overall energy demand from renewables by 2020; and
- 500 mega watts community and locally-owned renewable energy by 2020.

The Scottish Government is committed to:

- making Scotland a leading low carbon investment destination;
- securing investment and jobs from the growing Low Carbon sector; and
- ensuring that the benefits of this transformational change are shared across the economy and communities.

The Scottish Government supports the development of low carbon and renewable energy infrastructure and technologies, including community engagement with, and ownership of, local energy assets:

- Renewable Energy Investment Fund (REIF) which provides funding for renewables projects of benefit to Scotland;
- Community and Renewable Energy Scheme (CARES) provides support for communities and rural businesses to get involved in renewables, including to build their own schemes and invest in commercial schemes. In particular, CARES Local Energy Challenge Fund supports large-scale, low carbon demonstrator projects which show an energy economy approach linking local energy generation to local energy use;
- a comprehensive range of support for district heating schemes, through our Heat Network Partnership, District Heating Loans Scheme and more recently projects development support through the Low Carbon Transition Programme;
- Low Carbon Infrastructure Transition Programme delivering one integrated programme of support activity for low carbon projects across the public, private and community sectors; and
- further feasibility and industrial research work in the field of Carbon Capture and Storage (CCS) and the roll out of significant CCS assets over time.

Establishing Scotland as a low carbon place is already a central theme of NPF3. We are pleased that many of the projects suggested by *Scotland's Way Ahead Initiative* (SWAI) had already been identified by Scottish Government and steps taken toward delivery. For example our energy efficiency retrofit programme and development of a low carbon transport hub, which is the main aspect of the proposed European Structural Fund strategic intervention being led by Transport Scotland.

### **Scotland's Energy Efficiency Programme**

Heat is at the core of Scotland's energy system, is the biggest element of our energy use and the largest source of our emissions. That is why energy efficiency must be at the heart of our efforts to decarbonise our energy supply and reduce our greenhouse gas emissions.

Improving the energy efficiency of our building stock is a significant investment opportunity. The Scottish public sector estate alone accounts for some 19 million square metres (equivalent in size to 4,000 football pitches) Therefore, a substantial opportunity exists to lead the way in Non-Domestic Energy Efficiency (NDEE) measures. Over the past year Scottish Government Procurement and SFT have been taking forward the procurement process for a public sector wide non-domestic energy efficiency framework which will be available in early 2016. The economies of scale and standardised approach offered by a pan public sector framework is attractive to both the public sector and private sector - offering both better solutions and better value for money. The scale of investment opportunity estimated to be up to £300 million and there are a number of associated benefits to the development of the framework including:

- total jobs supported from associated investment – estimated to be in region of 2,400;
- carbon reduction and energy/bill savings; and
- potential to reduce carbon reduction commitment liability.

The implementation of energy efficiency across the public sector has the potential to act as a catalyst for retrofit projects across both public and commercial sectors.

### **Street Lighting Replacement Programme**

Across Scotland there are some 900,000 street lights costing Local Authorities £41 million in annual electricity charges. These street lights also impact on the environment by releasing nearly 200,000 tonnes of CO<sub>2</sub> into the atmosphere every year.

With electricity prices forecast by the Department of Energy and Climate Change to increase substantially over the next ten years it was timely that in 2015, SFT published its latest Street Lighting Toolkit. This Toolkit is aimed at providing local authorities with the most up to date information to enable them to prepare robust business cases to invest in spend-to-save measures to phase in new LED lighting. Our work to date with SFT, local authorities and Resource Efficient Scotland has already seen committed street lighting investment levels increase from £6.9 million in 2013-14 to £29 million in 2014-15. The estimated forecast total investment in 2015-16 is £45 million.

The Green Investment Bank has committed a Green Loan worth £6 million to Glasgow City Council to support its plans to convert 70,000 streetlights to low energy.

### **Low Carbon Transport Initiatives**

Reducing emissions from transport is key to achieving our overall emissions reduction targets. For road transport, a switch away from polluting fossil fuelled vehicles to cleaner new technologies such as electric, hybrid and hydrogen fuel cell vehicles is vital. SPP is clear that electric vehicle charging points should always be considered as part of new development and provided where appropriate. NPF3 notes that electric vehicles may have a particular opportunity on our islands with examples already emerging of charging units being deployed at ferry terminals.

Our Electric Vehicle (EV) roadmap, *Switched On Scotland*, published in 2013, sets out Ministers' ambitious vision: to free Scotland's towns, cities and communities from the damaging emissions of petrol and diesel fuelled vehicles by 2050.

To support the delivery of this vision, since 2011 we have invested more than £11 million in the development of the ChargePlace Scotland network of over 900 publicly available EV charging bays (over 450 units). We are also supporting the development of hydrogen refuelling stations in Aberdeen and Fife.

Our *Active Travel Vision*, published in November 2014, identifies what Scotland will be like in 2030 if we achieve our ambitions for increasing the proportion of everyday journeys that are undertaken by walking and cycling – thereby helping to achieve the transition to a low carbon economy. The vision makes clear that this will require

significant increases and enhancements to the network of walking and cycling paths throughout Scotland and improved integration between active travel and public transport modes.

The June 2013 *Cycling Action Plan for Scotland* reiterates our commitment that, by 2020 10 per cent of everyday journeys will be undertaken by bike (currently less than 3 per cent). The *National Walking Strategy*, launched in June 2014, sets out our plans to increase walking for all purposes, including day to day “functional” walking, as a key element of delivering the ten year *Physical Activity Implementation Plan*.



# CHAPTER 2: HOW WE WILL INVEST



## **Chapter 2: How We Will Invest**

This chapter considers how the Scottish Government invests, how that investment is financed and how investment is delivered.

### **2.1 FUNDING MODELS**

As discussed in Chapter 1, the Scottish Government seeks to maximise investment in infrastructure through the capital budget and by use of alternative approaches that fund investments through revenue instead of capital, such as the NPD/hub models and the use of the Regulatory Asset Base (RAB) for rail infrastructure investment continue to be taken forward. We are promoting innovative ways of funding infrastructure investment, including by using Scottish Government funding as a means to enable, or unlock, other funding streams.

Innovation in the funding and delivery of public infrastructure is key to unlocking future development and boosting sustainable and inclusive economic growth. Innovation can take many forms: developing new solutions to drive value for money; making more efficient use of existing public funding; leveraging additional funds and resources, and building partnership between the public and private sector.

The Scottish Government will make decisions on the overall balance of public funding within a sustainable financial framework. We aim to ensure we use revenue funded methods at a sustainable level so as to not overly constrain our choices in future years. We will continue to cap our future revenue commitments (including existing PFI commitments we have inherited, future debt repayments, NPD, hub and RAB payments and the cost of borrowing) at a maximum of 5 per cent of our expected future annual DEL budget to ensure long-term affordability. Up to date information about the long-term affordability of Scottish Government investments has been included in the Draft Budget 2016-17.

#### **2.1.1 TRADITIONAL CAPITAL FUNDING**

Traditional capital funding continues to be the most common method of financing public sector capital projects where development and construction costs are paid from capital budgets at the time of building the asset. In general, funding infrastructure investment through public capital ensures the lowest cost of finance for a typical project. Capital funding will continue to provide funding for most infrastructure projects. We will continue to seek to use a range of other funding mechanisms to ensure ongoing investment in essential infrastructure and support to the construction sector.

Financial transactions funding, as described in section 1.5, enable innovative opportunities to be explored to support investment through loans and equity investment. To date these have predominantly been used in the housing sector but are now being used more widely across government. For example, in the energy sector and by Transport Scotland to support a low carbon vehicles initiative.

## **2.1.2 CAPITAL BORROWING STRATEGY**

The Scottish and UK Governments are engaging in detail to agree a new Fiscal Framework that can reflect the devolution of further powers to Scotland within the United Kingdom, including capital borrowing. Additional powers to borrow would give the Scottish Government greater flexibility to manage capital investment and to determine priorities according to the needs of the Scottish economy and public services. A borrowing strategy for Scotland will be developed in due course, once it is clear how the new Fiscal Framework will operate.

In the interim, the Scottish Government has set out in the Draft Budget 2016-17 its plans to borrow up to £316 million to support infrastructure investment under the existing Scotland Act 2012 capital borrowing powers.

Scottish local authorities have a statutory power to borrow for capital investment purposes. These powers are exercised applying prudential principles, requiring decisions on borrowing to be both prudent and in the long term sustainable. In 2014-15, around £896 million of capital spend was financed by local government borrowing.

## **2.1.3 REVENUE FUNDING: NPD/HUB PROGRAMME**

### **The NPD/ hub programme**

This programme is delivered through two channels:

- procurement of large projects such as major roads or large hospitals by relevant public sector organisations using the NPD model;
- procurement of smaller Design, Build, Finance and Maintain (DBFM) projects delivered via the Scotland-wide hub initiative in partnership with local authorities, health boards and other public bodies.

### **Non-Profit Distributing Model**

The Non-Profit Distributing (NPD) model was developed as an alternative to the traditional Private Finance Initiative (PFI) model in Scotland and a range of projects in three main sectors – further education, health and transport – have been delivered or are either under construction or in development.

The model involves a partnership with a private sector provider who designs, builds, finances and maintains an asset. The public sector then pays an annual charge over a 25-30 year period to the private sector provider from the revenue budget, once the asset has been built.

The model seeks to transfer risk and exert private sector discipline during the construction phase of a project and throughout its lifetime, but without the excessive private sector profits associated with past PFI projects. Key projects under construction through the NPD model include the Aberdeen Western Peripheral Route, the Dumfries and Galloway Acute Service Redevelopment Project and the Edinburgh Royal Hospital for Sick Children. Recent changes in EU guidance (the European System of Accounts 2010 (ESA10)) on classification and the view taken by the Office for National Statistics (ONS) on its application to the AWPR, have had implications for the budgeting treatment for a number of NPD projects and this is

reflected in the Draft Budget 2016-17. There will be no impact on the delivery of the projects themselves.

The Scottish Government has asked SFT to consider the implications of ESA10 for the contractual and governance arrangements that should apply within the NPD programme going forward. The Scottish Government remains committed to the delivery of projects in the NPD pipeline and SFT will work closely with project partners to progress their further development.

### **hub DBFM Model**

The Scotland-wide hub initiative reflects a national approach to the delivery of new community infrastructure. It brings community planning partners, including NHS Boards, local authorities, police, and fire and rescue services together with a private sector development partner to increase joint working and deliver best value through the shared delivery of sustainable community buildings - from small GP practices to large combined community, health and sports centres.

The hub initiative has been implemented across five geographical territories in Scotland, each with a population of around one million people. Five hubCos have been established in the South East, North, East Central, West and South West regions of Scotland. Under this initiative a supply chain of contractors, designers and consultants of all sizes is created.

Whilst not all hub projects are DBFM projects (many are Design and Build (DandB) and do not have the Finance and Maintenance elements included in the contracts), a significant part of the hub pipeline for community health and schools projects will be delivered through the hub DBFM model. While projects will mostly be new buildings, they can also include refurbishment and asset management services of existing infrastructure. Contractors, designers and consultants interested in working on hub projects can apply to join a supply chain.

Following the ONS' decision that the AWPR should be classified to the public sector under ESA10, the ONS has now also considered proposals developed by SFT for revised hub DBFM arrangements and has confirmed that, based on these proposals, hub DBFM projects will be classified to the private sector. All hub DBFM projects are now proceeding on the basis of the revised model.

### **Regulatory Asset Base**

The Scottish Government continues to make full and proper use of the Regulatory Asset Base (RAB) model, specifically for rail infrastructure investment through Network Rail. This approach is supported by independent economic regulation from the Office of Road and Rail (ORR).

Network Rail's infrastructure services in Scotland are funded through a conventional regulatory approach where renewals and enhancement expenditure is mostly capitalised and added to the RAB. The costs of historic investment and of renewing and enhancing the rail infrastructure in Scotland are met in full by the Scottish Government through an amortisation allowance and an allowed return on the RAB as set by the ORR. This is payable by means of direct grant to Network

Rail and track access charges subsidised through the ScotRail and Caledonian Sleeper franchise contracts.

Network Rail was reclassified as a central government body from 1 September 2014 - a statistical change driven by ESA10. Network Rail is no longer able to issue debt in its own name and instead borrows directly from Government via a loan facility provided by the UK Department for Transport. A separate, ring-fenced borrowing arrangement has been agreed between the Scottish and UK Governments to initially cover rail infrastructure investment over the current regulatory control period to March 2019. The servicing requirement for this borrowing arrangement is unchanged and all costs continue to be met by the Scottish Government.

#### **2.1.4 INNOVATIVE FINANCING**

A number of innovative tools to stimulate private sector investment, economic growth and regeneration, through targeted public sector support, have been developed and continue to be refined. These include initiatives such as Tax Incremental Financing (TIF) and the Growth Accelerator (GA); alongside a uniquely Scottish response to City Deal, including collaboration with the UK Government where appropriate; a range of innovations, in collaboration with housing sector partners such as local authorities and housing associations, to deliver new affordable homes and complement the grant funding programme; new loan/equity schemes; and exploration of the opportunities presents by sovereign wealth funds and other large investors.

These models create a partnership of investment between Scottish Government, local authorities and the private sector, with clear identification of investments that will unlock growth for their area. This is reflected in risk-sharing structures that seek to balance the basis of any financial support against the achievement of key outputs and impacts, particularly where these are unlocked by public sector intervention.

##### **Tax Incremental Financing (TIF)**

TIF seeks to support existing sources of funding available for regeneration and economic growth by creating the right environment for the private sector to invest, thereby leveraging in additional private sector capital. The TIF model allows for an alternative funding approach through initial borrowing by local authorities to fund infrastructure which is anticipated to stimulate investment. Loans are then repaid through future increases in non-domestic rate revenues (NDR), grown as a result of the resultant wider public and private sector investment. Six pilot TIF schemes were developed through secondary legislation under existing provisions of the Local Government Finance Act (1992). This pilot approach has allowed this model to be tested in Scotland.

Six pilots are in course, covering different scales of authorities, types of investment and both urban and rural areas. Of these authorities, four have moved to Full Agreement and TIF construction work has begun on the Glasgow, Falkirk and Argyll and Bute TIF pilots. Fife TIF is anticipated to commence during the next spending

period. The remaining two TIF pilots (North Lanarkshire and City of Edinburgh) will be reviewed in the course of financial year 2015-16 to consider the best route to achieve the investment sought. The six pilots in total will see over £300 million of public sector investment with a private sector leverage of around 1:5, translating essentially into significant employment and growth opportunities alongside this capital investment.

Further thought is being given to the future use of TIF. During the next spending review period, the TIF model will be reviewed and its role in stimulating regeneration, amongst a basket of tools, will be considered; to ensure the investment options available are fit for purpose and where in use deliver additional investment.

### **The Growth Accelerator**

Reflecting the need for a range of investment options to stimulate growth, the Growth Accelerator (GA) has been developed. Whereas TIF focuses on the growth in NDR within a defined area to demonstrate the private sector investment, the GA mechanism seeks to identify the impact of intervention and investment across both a wider economic geography and measure wider relevant impacts that align with the priorities of the investment; reflecting the government's economic strategy.

The first GA project has been agreed with City of Edinburgh Council, for the St James Quarter, with up to £60 million of public sector investment unlocking up to £1 billion of new retail, leisure, hotel and residential development in the city centre. The mechanism to measure the success of the project reflects both the anticipated growth within the immediate and wider property market; as well as inclusive growth priorities, through a number of targeted employment measures. Achieving these measures will unlock the availability of an annual grant from the Scottish Government.

GA, therefore, allows a number of growth priorities to be articulated and supported. Other GA projects will be developed where this is agreed to be the best tool for investment.

### **City Deals and Regional Partnership Plans**

The City Deal approach provides an opportunity to develop greater regional collaboration and strengthen regional economies. The approach encourages local authorities to operate strategically at the regional level and it supports a long-term focus on the interventions required to deliver economic growth. It is important that city deals inform and are informed by land use planning at strategic and local scales to ensure the projects add greatest value to communities. Each City Deal is bespoke to the city region and incorporates non-infrastructure measures such as welfare, skills etc. so as to maximise the impact of any infrastructure investment. Deals will typically run over 20 years with the UK Government contribution channelled through Scottish Government in addition to the Barnett settlement.

The Scottish Government, along with the UK Government, is supporting the 20 year, £1.13 billion Glasgow and Clyde Valley City Deal, a partnership of eight local authorities. Over 20 years, the local authority partners estimate that the City Deal will support an overall increase of around 29,000 jobs in the city region and lever in an estimated £3.3 billion of private sector investment.

City Deals work at a larger geographical level, however, the principles of both TIF and GA continue to be relevant; whereby Scottish Government will support interventions to achieve clearly articulated outcomes which benefit their regional economy. The principles of payment by results will also continue, helping ensure that value for money, through evidence of results, is central to this model.

Scottish Government is prepared to support Scotland's other cities to develop City Deal proposals where this is seen to stimulate effective collaborative working and regional investment that can demonstrate best value. The Scottish Government welcomed the Chancellor's confirmation that the UK Government was willing to continue talks on City Deals for Aberdeen and Inverness.

This approach is not just for Scotland's cities and we are committed to working with groups of local authorities who can demonstrate that collaboration will challenge barriers to regional growth, moving beyond business-as-usual.

## **Innovation in Housing Finance**

### *National Housing Trust*

The National Housing Trust initiative (NHT) was the first guarantee-based scheme for housing in the UK. Over 1,000 homes have been completed to date, with NHT on track to provide over 2,000 homes in communities across Scotland. The initiative does not involve grant subsidy and supports jobs in construction and the wider economy. For every 1,000 NHT homes built, our guarantee of £2.8 million unlocks around £146 million of housing development and supports approximately 1,300 jobs.

Partnership working has been integral to NHT's considerable success. It is a pioneering example of creative working amongst the public, private and non-profit sectors. NHT has demonstrated that a high-leverage model can work at scale, and has encouraged others to think creatively about non-traditional ways of funding the provision of affordable housing.

### *The Local Affordable Rented Housing Trust*

Building on the success of NHT, the Scottish Government announced in October 2015 support for the Local Affordable Rented Housing Trust (LAR) - a pioneering affordable housing model that will deliver up to 1,000 homes for mid-market rent. LAR is supported by a £55 million loan from the Scottish Government which is expected to attract matching private investment to lift the overall funding package to more than £100 million. The LAR approach is highly replicable and SG is exploring a variety of ways in which this type of approach using loan funding can help further in closing the gap between housing need and supply.

### *Charitable Bonds*

We are the first, and remain the only, national government in the UK to invest in Charitable Bonds. By 2016, we'll have invested £37 million in these bonds, creating loan finance to fund affordable housing in Scotland, and generating charitable donations of £1.4 million for regeneration charities and around £7 million for social housing. This could support the delivery of up to 600 new affordable homes. The programme has the potential for substantial expansion.

### Supporting pension funds to invest in affordable housing

Scottish Government has been actively supporting initiatives to enable large-scale investors, delivery partners and local authorities to work collaboratively to boost the supply of affordable housing. There has been an early success with the Falkirk Local Government Pension Scheme (LGPS) fund. The fund has agreed to invest £30 million into affordable housing, with Scottish Government providing the initial grant funding towards social rent homes delivered through the investment. This trailblazer project aims to deliver around 300 homes from the Falkirk investment and has the potential to expand and deliver over 1,000 new homes if other pension funds can be attracted to invest.

### Help for Homes

Help for Homes will be a new equity loan scheme to enable owner occupiers with limited income to carry out essential repairs and energy efficiency improvements to their homes. Eligible homeowners will borrow from the Scottish Government and repay when they sell their home, die or transfer ownership. The scheme is under development as part of Scotland's Energy Efficiency Programme (SEEP).

### **European Structural and Investment Funds (ESI Funds)**

The Scottish European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes were approved in December 2014. The 2014-2020 programmes will deliver approximately £800 million of EU funding over the next seven years and focus on three European themes of 'Smart, Sustainable and Inclusive Growth'.

To date, the use of ESI Funds has focused on enhancing SME access to finance but shall also form an integral part in progressing the move to a low carbon economy. There is further opportunity to use ESI Funds in the following areas:

- Urban Regeneration;
- Digital;
- Skills Development Loans;
- Community Finance; and
- Research and Development.

## **2.2 PROCUREMENT**

The Procurement Reform (Scotland) Act 2014 and the new EU Procurement Directives will provide the statutory foundations for the Scottish Model of Procurement, simplifying, standardising and streamlining procedures for both businesses and public bodies. It will build upon our work to date to improve public procurement and will place sustainable and socially responsible purchasing at the heart of the process. For example, the Act introduces a Sustainable Procurement Duty on public bodies to consider how, through their procurement activities, they can improve economic, social and environmental wellbeing; how they might facilitate the involvement of SMEs, the third sector and supported businesses; and to consider how they can promote innovation. In fulfilling this duty public bodies undertaking capital projects will want to consider a range of existing economic development strategies which can help secure benefits for communities and Scotland as a whole.

The Scottish Government's promotion of community benefit clauses has led to a range of economic, social and environmental benefits being delivered under public contracts. For example, these clauses are currently used in Scotland to promote supply chain opportunities for SMEs and social enterprises and contractualise additional recruitment, training and employment opportunities via major construction contracts.

### **Construction Procurement Review**

The value of construction taking place each year across Scotland's public sector totals approximately £4 billion. 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. The report's core recurring themes were that construction procurement should become more collaborative, more efficient, more sustainable and more outcomes focused. We are working in partnership with the SFT, the wider public sector and businesses to implement the recommendations.

Through the initial work, a new Community Benefit Toolkit for Construction has been published in response to the recommendations of the review and aligns to the forthcoming requirements of the Procurement Reform Act 2014. This toolkit is to support the public sector embed sustainable outcomes and benefits within their procurement processes. This is through a structured methodology for including community benefit requirements within procurement to leverage additionality for communities and promote equality and inclusive growth within the wider economy.

An early recommendation, endorsed by Scottish Ministers, was the trialling of Project Bank Accounts to improve cash flow to SMEs by reducing payment periods to the supply chain within construction projects. Since 2013, Project Bank Accounts have been trialled by Scottish Government across a range of pathfinder projects. The lessons learned from these pathfinder projects will be reported to Ministers by the summer of 2016. This will also include recommendations on the future use of Project Bank Accounts within Public Sector Procurement.

Going forward other key work streams include the implementation of 'Building Information Modelling', which promotes a whole life approach to infrastructure investment and developing efficient ways of working to improve environmental outcomes within infrastructure.

### **2.3 ACHIEVING MULTIPLE BENEFITS**

We are committed to a smarter way of delivering our infrastructure in Scotland. We must ensure that infrastructure projects identify and exploit opportunities for synergies whenever possible so as to ensure value for money and efficient delivery. The right processes must be in place to ensure that major infrastructure projects always take into account opportunities across disciplines, for example roads and digital. Major capital project procurements will be required to explore, at an early stage, potential opportunities for additional benefit by providing or facilitating



associated infrastructure. Early discussions across disciplines are essential to make this happen.

There are a number of advantages of taking this synergistic approach:

- enabling previously poorly served locations to be better connected by ‘piggy-backing’ on a planned infrastructure intervention;
- minimising disruption by co-ordinating and ‘only digging the hole once’;
- minimising the overall footprint and, therefore impact on communities and the environment, of infrastructure and utilities by combining in one corridor;
- projects can deliver better value for money by increasing their benefits, potentially without significant increases in cost owing to economies of scale and streamlined procurement;
- with collaboration in land use planning, for example between utilities and housing providers, projects can be synchronised and achieve better value for money and faster impact through agreed and predictable timing; and
- funding can potentially be leveraged to make a bigger intervention that serves multiple interests.

We already have examples of projects which have endeavoured to work in this collaborative way. The Scottish Government has collaborated with industry on an infrastructure mapping project, which has provided an updated view on the extent, and location, of telecoms infrastructure across Scotland. We are using these links to publicise the potential opportunities for telecoms suppliers arising from public investments in infrastructure and other major developments.

The Aberdeen Western Peripheral Route (AWPR) project showed strong engagement across utilities and wider development opportunities. The A9 project is a good example of where engagement and collaboration across delivery partners, local stakeholders and utilities to develop proposals which take advantage of a major construction project to widen benefits to less well connected communities. There are also instances where future opportunities are being actively explored, for example between Network Rail and Digital colleagues to explore opportunities to utilise the rail infrastructure and systems assets to improve telecommunications services to remote and rural areas of Scotland.

Opportunities of this type will continue to be made available to telecoms suppliers. As part of our World Class Digital Infrastructure programme, the Scottish Government, in conjunction with SFT, is looking to ensure that we utilise all available infrastructure to extend broadband and mobile services across Scotland. One example is the work aimed at accessing Network Rail’s fibre infrastructure. This is far from straightforward, and there are a number of regulatory barriers to overcome, but we will continue to work with UK Government and other partners on this, and other opportunities like it, aimed at finding new ways to extend digital connectivity right across Scotland.

We are integrating action on domestic and non-domestic energy efficiency and will bring this together with the roll-out of district heating where practicable, through Scotland’s Energy Efficiency Programme. We are working with a diverse range of stakeholders to develop and tailor the new programme to Scotland’s specific needs.

Over the next two years we will pilot new and different models of delivery to test integration and to get a better understanding of what communities want.

A key finding of the Planning for Infrastructure Research related to the need for greater focus on the costing, funding and delivery of infrastructure through Strategic Development Plans (SDPs) and the important role that all stakeholders, including infrastructure providers, have in this. The delivery of a single piece of infrastructure requires collaboration and co-ordination of a number of different stakeholders.

SDPs set out the strategy for development across city regions in Scotland. The scale at which they operate reflects the reality of how people choose to live their lives in the largest urban areas of the country; often crossing local authority boundaries for work and leisure. SDPs are required by legislation to take account of the infrastructure for their area. The city-region approach means that issues and impacts of projects that cross local authority boundaries can be addressed and supported by the constituent authorities.

## **2.4 DELIVERY PARTNERS AND RESPECTIVE ROLES**

There are many partners involved in delivering investment within Scotland. We want to ensure that Scottish Government investment is targeted to maximise synergy with other investment in Scotland, whether that is funded by the private sector, central Scottish Government capital budgets, local government's prudential borrowing or Westminster departments.

This section considers the roles of different partners within the delivery of programmes and projects. The various roles are discussed in more detail below, including the collaborative approach taken between the Scottish Government and other organisations to deliver the right investments in the right place at the right time for the best value.

### **2.4.1 SCOTTISH GOVERNMENT**

Scottish Ministers decide on the priority given to the range of potential investments. Priorities are articulated through Spending Reviews, Infrastructure Investment Plans and the National Planning Framework. Funding is allocated through the Spending Review process and approved annually by Parliament in the Draft Budget. The spending allocations within the Draft Budget are scrutinised and approved by the Scottish Parliament. National Planning Framework is approved by Ministers following consideration by the Scottish Parliament.

Delivery of programmes and individual projects is delegated to the appropriate level, and varies between sectors. The responsibility for delivering the projects and programmes receiving funding rests with accountable officers within the portfolios. The major areas of portfolio spend – Transport Scotland, NHSScotland, Scottish Funding Council (for higher and further education), Scottish Prison Service, housing and Scottish Enterprise – have dedicated finance functions and robust governance arrangements in place to ensure effective management of their infrastructure expenditure. The sector plans in Chapter 3 give some more detail for each sector.

A central oversight function is performed by the Scottish Government's Infrastructure Investment Board (IIB) a small, senior level board, which reviews management and governance arrangements for the whole capital programme and scrutinises investment plans at portfolio and project level.

An Infrastructure Projects database, which includes the details of infrastructure projects with a capital value of at least £5 million and for which an Outline Business Case has been prepared, provides the IIB with a valuable source of management information. Each project on the Infrastructure Projects database is assessed to determine its overall complexity and risk potential and the Scottish Government provides independent assurance support to those projects most likely to encounter complex procurement or delivery issues.

#### **2.4.2 SCOTTISH FUTURES TRUST**

Scottish Futures Trust (SFT) is a company, established by the Scottish Government in 2008, with responsibility to deliver value for money across public infrastructure investment. SFT works collaboratively with Scottish Government and other partners to focus efforts on achieving the very best value when money is spent on public sector infrastructure such as roads, schools and hospitals and more recently on non-traditional infrastructure such as digital.

In addition, SFT seeks to attract and secure long-term additional investment over and above traditional capital to help bolster and stimulate economic growth. Pursuing alternative funding allows projects to be brought forward that would have otherwise had to have waited years for budgets to become available.

In the relatively short space of time since becoming operational, it has built a highly professional and commercial team which works collaboratively with every local authority and NHS Board across Scotland to deliver high-quality, sustainable infrastructure which in turn helps protect jobs in the construction industry in Scotland. As an independent company with all shares owned by the Scottish Government, SFT is set a challenging target of achieving £100 million to £150 million of efficiency savings and benefits each year.

SFT's existing infrastructure programmes and initiatives collectively contribute to the delivery of this plan and as such supports the Scottish Government's purpose.

#### **2.4.3 ENTERPRISE AGENCIES**

Our objective is that Scotland is the most competitive place in the UK to do business and to invest. Both Scottish Enterprise and Highlands and Islands Enterprise investment in infrastructure is targeted towards creating a high quality business environment and infrastructure that helps companies and key sectors to grow faster and supports connections to the global marketplace.

Their focus is primarily on projects of national or regional importance which have the potential to offer long-term returns for the Scottish economy building on the strength of our people and natural resources developing our economy in

partnership with businesses and communities, providing more better paid jobs for our people that moves them out of poverty through work which is fairly paid.

#### **2.4.4 SCOTTISH CITIES ALLIANCE**

The Scottish Cities Alliance brings together Scottish Government with the seven city local authorities to build further on the strengths and opportunities that exist within cities and their regions to attract investment, create growth and support Scotland's cities to compete internationally. It has a focus on attracting investment, both infrastructure and commercial, and published its first prospectus in October 2014 including £10 billion of investment propositions from cities and their regions.

#### **2.4.5 LOCAL AUTHORITIES**

Each local authority has its own capital programme, to deliver both national and local investment priorities. The Scottish Government currently allocates around one quarter of its capital budget directly to local government to support those infrastructure investment programmes. Local authorities are able to supplement their funding from the Scottish Government through borrowing, using receipts from asset sales and other income. The Scottish Government provides additional support for strategic investment through other initiatives set out in this document such as Scotland's Schools for the Future programme, TIF, GA and City Deals. Details of collaborative projects are set out elsewhere in this document under the specific portfolio sections.

Co-operation between local authorities as part of the Strategic Development Planning Authorities, at the city-region scale, provide an opportunity to address issues the cross local authority boundaries. These require leadership to establish support and enable delivery of matters that are beyond local interests and of benefit to the wider area.

In addition to delivering strategic investment priorities there are a number of other reasons why collaboration between different public sector bodies is being pursued for infrastructure projects. These are mainly to have more effective outcomes, savings, sharing risks, removing barriers to development and therefore delivering more infrastructure from the limited capital and revenue budgets available. These include opportunities to:

- **make savings** - larger projects or a structured programme of projects attracts greater private sector interest and as a result leads to more competitive pricing. Similar savings can also be made by bringing together smaller projects;
- **share expertise** - the procurement of infrastructure projects requires key organisational and commercial skills. These skills are not always available to individual public sector bodies and therefore a collaborative approach to procurement can make these skills available more widely;
- **optimise the scope of projects** – having a short term strategic approach to infrastructure projects on an individual authority basis may be sub scale and

inefficient and can be made more efficient by through grouping together and having a long term strategic approach;

- **risk share** - undertaking a low risk approach to supplementing capital funding is a barrier to infrastructure. Incorporating options for sharing risk collaboratively into long term strategic infrastructure projects provides a financial upside to any investment in infrastructure projects which can be factored into any risk assessment;
- **reduce procurement costs** – grouping together smaller projects facilitating the potential for fixed costs that are associated with project procurement be shared. As well as this, by working together, public sector bodies, including local government can make better use of existing buildings and in so doing release space in other buildings for sale, or lease.

## 2.4.6 UK GOVERNMENT

To ensure that infrastructure delivers maximum benefits, it is important to ensure that there is close coordination with what is happening in the rest of the United Kingdom. The Scottish Government is working closely with the UK Government and regulators in sectors of infrastructure where there is a shared responsibility between the Scottish and UK Governments. Areas in particular where there is a shared interest are in electricity and gas transmissions, and electricity generation including renewable and fixed line telecommunications.

The UK Government has published its investment plans for economic infrastructure in its National Infrastructure Plan 2014. It has set out its intention to publish a National Infrastructure Delivery Plan in Spring 2016. We will continue to work with the UK Government to maximise the synergy of investment plans, particularly in terms of cross border investments, such as High Speed Rail, and reserved areas, such as investment in energy and digital infrastructure, where we seek to ensure Scotland receives a fair share of any UK or GB-wide investment. We will also engage with the newly established National Infrastructure Commission.

## 2.5 PLANNING AND PLACE

### 2.5.1 PLANNING

Reforms to our planning system have ensured that it is equipped to support inclusive and sustainable growth. Reform continues with an independent panel currently reviewing the operation of the system from which recommendations are anticipated in early 2016. Scottish Ministers have statutory responsibility for publishing the *National Planning Framework*, which is the strategy for the long-term development of Scotland's towns, cities and rural areas.

The third *National Planning Framework* (NPF3), published in June 2014, provides a spatial expression of the Scottish Government's economic strategy and this continues to inform our infrastructure investment plans. NPF3 sets clear priorities for the improvement of strategic infrastructure as well as identifying other areas of pressure or opportunity for example it identifies locational priorities for regeneration activity. It also recognises the importance of our cities as key drivers of the economy as well as the need to support sustainable growth in the rural economy.

*The Scottish Planning Policy (SPP)*, also published in June 2014, sets out national planning policies which reflect Scottish Ministers' priorities for operation of the planning system and for the development and use of land. It shares a Planning vision with NPF3 and takes forward in a thematic way the priorities NPF3 identifies. SPP is based on two principal policies the first on sustainability and the second on placemaking. The effect of these policies influences all development plan and application decision making. SPP is also clear that the planning service should be outcomes focused and facilitate sustainable economic growth, amongst other factors.

This plan is underpinned by NPF3 and SPP and similarly seeks opportunities for infrastructure investment to add value through stronger spatial co-ordination and through the identification of potential synergistic opportunities and the creation of multiple benefits as described in section 2.3.

Strategic Development Plans give direction on development priorities for the city regions of Edinburgh, Glasgow, Aberdeen and Dundee. They provide the framework for Local Development Plans (LDPs) within those four regions. LDPs contain a spatial strategy for where development should occur in the planning authority area, which cover all councils in Scotland and the two national park authorities.

Residential and commercial development requires supporting infrastructure to: service the development; ensure quality of place; and to provide transport connectivity which can secure economic opportunities for residents and attract inward commercial investment. The Scottish Government commissioned research on infrastructure provision, with recommendations reported in 2015. We are responding to those recommendations to ensure that development opportunities can be realised.

## **2.5.2 CITIES AND THEIR REGIONS**

The Scottish Government takes a strategic approach to cities and their regions and recognises these are the engines of our economy. Scotland's cities are diverse and full of potential. They are central to Scotland's economic strategy and, as most of our people live in our cities and surrounding areas, they are the target of much of our social infrastructure investment.

We re-affirm our commitment to supporting our cities and their regions, whether through national infrastructure investment priorities or the work we are doing in partnership with cities to support growth. We are committed to working with all our cities to unlock investment, whether that is individually or collectively and whether that is through a City Deal, one of the Scottish Government's devolved initiatives to stimulate growth and deliver infrastructure investment, or a combination of measures.

### 2.5.3 REGENERATION

The regeneration strategy *Achieving a Sustainable Future* sets out our continuing vision for Scotland - where our most disadvantaged communities are supported and where all places are sustainable and promote well-being. Our commitment to ensuring equality of opportunity and support for the places and people that need it underpins our approach to regeneration.

Regeneration is about developing interventions which respond to local circumstances, involving local people in identifying the issues and co-creating solutions. Regeneration activity contributes to the PfG and SES by supporting activity which promotes sustainable economic growth, by tackling area inequality, addressing market failure, and increasing opportunities for disadvantaged areas to attract investment and jobs.

Regeneration of Scotland's most disadvantaged areas and strengthening of local communities are key priorities. We are acting to catalyse local level investment including regeneration in our most disadvantaged communities, bringing empty town centre properties back into use, with investments in housing and communities to improve local amenities and build strong and sustainable communities.

Since 2011 we have supported a wide range of regeneration projects through SPRUCE, the Regeneration Capital Grant Fund and the Vacant and Derelict Land Fund.

#### **SPRUCE, Scotland's JESSICA investment loan fund**

Part-funded by the European Union, the SPRUCE Fund is operating in the 13 local authority areas across the Lowlands and Uplands Scotland Programme area. SPRUCE is managed by specialist fund manager, Amber, in-line with the area-based investment strategy.

There have now been six investments by the SPRUCE fund taking the total invested so far to over £43 million. Once the loans are repaid, we are able to recycle the monies into further regeneration projects. Recent forecasts suggest that SPRUCE investments will lever in an additional £158 million in private funding, creating over 4,000 jobs.

#### **Regeneration Capital Grant Fund**

The Regeneration Capital Grant Fund (RCGF) jointly developed and delivered in partnership with COSLA and local government, supports transformational regeneration projects in disadvantaged areas, focussing on projects that engage and involve local communities and demonstrate the ability to deliver sustainable regeneration outcomes.

Launched in 2013, RCGF is providing over £41 million in 2014-16 to 40 projects across Scotland aiming to support or create over 2000 jobs and 600 training places as well as continuing to support the Urban Regeneration Companies. The fund is supporting a wide range of projects including commercial and industrial developments, town centre regeneration, community-led facilities, and culture and tourism initiatives.

### **Vacant and Derelict Land Fund**

The criteria of the fund is to tackle long term vacant or derelict land; stimulate economic growth or job creation; and promote environmental justice and improved quality of life – with a focus on projects which promote innovation in temporary and longer term greening techniques for vacant and derelict land sites. Five local authorities receive funding, reflecting the extent of vacant and derelict land in these areas and levels of disadvantage. Dundee, a previous recipient of the fund, have constructed the Seabraes Bridge, a new landmark pedestrian/cycle bridge over the railway line linking Dundee's Waterfront, through Seabraes with the residential and university areas to the north. The bridge is part of an ongoing programme of regeneration work on Dundee's Waterfront improving connectivity with the surrounding city. Glasgow City Council has transformed derelict land along the Govan Old Water Row Pathway into a leisure amenity and greenspace.

### **Town Centre Action Plans**

Town centres are an important element of the economic and social fabric of Scotland. Support for town centres forms a key part of the regeneration vision and supporting outcomes. We launched The *Town Centre Action Plan* in November 2013. This is a cross-government response to the recommendations of the national review of town centres and includes actions designed to support their revitalisation and to assist local action towards achieving this.

In 2014 we developed and adopted the town centre first principle in partnership with COSLA and local government. The principle is about open, measured and transparent decision making that takes account of medium to longer term impacts on town centres. The principle recognises that town centre locations are not always suitable, but requests that the rationale for locating elsewhere is evidenced and transparent.

A key focus of the *Town Centre Action Plan* is to encourage more people to live in town centres and to support this we launched the £4 million Town Centre Empty Homes Fund in June 2015. The fund aims to create additional residential accommodation in Scotland's urban and rural towns by funding projects to convert disused commercial premises into residential and to target problematic empty homes that require extensive refurbishment to make them habitable again.

Ministers have made clear their determination to empower communities, "to give community groups the investment that they need to drive local change". Local regeneration priorities emerge in consultation between local authorities, community planning partnerships and communities, who are best placed to assess projects based on local need.

### **Partners**

By its very nature, community led regeneration activity is collaborative. We have been successful in encouraging the private sector to deliver community benefits as part of contracts secured through the SPRUCE fund. Appropriate clauses are now included in all investment agreements which ensure that local communities benefit not only by seeing new infrastructure being delivered in their area, but also by employment and training opportunities.





# CHAPTER 3: WHAT WE WILL INVEST IN

## **Chapter 3: What We Will Invest In**

### **3.1 EARLY LEARNING AND CHILDCARE**

#### **Objectives and purpose of investment**

The Scottish Government is committed to putting children and families at the heart of policy making as a key element of our vision, as captured in the PfG and Children and Young People (Scotland) Act 2014 to “make Scotland the best place in the world to grow up in by improving outcomes and reducing inequalities for all babies, children, mothers, fathers and families across Scotland to ensure that all children have the best start in life and are ready to succeed”. Our stated ambition is to develop a high quality, flexible early learning and childcare (ELC) system which is accessible and affordable for all.

We see the revolution in ELC as the flagship infrastructure project of the next parliament and as such we have pledged to almost double the existing ELC provision to 30 hours a week over 38 weeks (term time), or 1,140 hours a year. Planning for delivery of this ‘1,140 hour commitment’ is underway.

ELC can be delivered in a range of settings, but is predominately delivered through local authority run and partner provider nurseries. Around 60 per cent of nursery providers are local authority nurseries, with 40 per cent in partnership nurseries (private or third sector run), although this varies widely depending on the local authority.

We plan to fully fund the capital required to deliver this commitment. We are currently working closely with the SFT and local authorities to develop an estimate for the capital requirements for this expansion, with associated expenditure expected to be smoothed over several years.

#### **Progress**

In August 2014, we increased the entitlement to free ELC from 475 to 600 hours per year (equating to just under 16 hours a week over 38 weeks), and have pledged to increase this entitlement to 1,140 hours per year by the end of the next parliament – equivalent to around 30 hours per week.

To facilitate the expansion from 475 to 600 hours a year, local authorities were awarded £90 million to fund capital projects over three years. A further £80 million for capital was awarded over two years for the expansion to two year olds. Funding was allocated based on a national cost metric approach adopted from our school building programme for primary schools, Scotland’s Schools for the Future (SSF). This funding was allocated for the expansion of the 60 per cent of nurseries that are local authority run, not private partnership nurseries.

#### **Sector plans**

An initial step will be working with SFT to undertake a survey of the existing local authority ELC estate. This will include looking at where existing nurseries have additional capacity and where other local authority buildings or public sector assets may provide suitable accommodation. For instance, there are examples of

nurseries being located in high school buildings and other parts of the local authority estate.

We are also currently gathering information from various local authorities about current delivery; including any existing flexibility in the system that will help us better understand the demand for places. Once this preparatory work has been undertaken we will better know requirements for revolutionising the delivery of ELC in Scotland, and the associated costs for delivering this flagship programme.

We are committed to delivering the 1,140 hour commitment by August 2020, and the capital investment is forecast to be spread over three years from 2017-18 to 2019-20.

### **Delivery partners and structures**

As with the SSF programme below, a number of partners will be involved in delivering the capital element of this commitment.

We have begun discussions with SFT to explore how they can contribute to this work given their delivery of the SSF programme. We believe their considerable experience in managing and delivering a major programme investment in schools infrastructure could add value and derive significant efficiencies, as they have done for the school building programme. The precise working and governance arrangements are still being developed.

Local authorities will also be a key stakeholder of the capital expansion and ongoing operation of projects.

## **3.2 SCOTLAND'S SCHOOLS FOR THE FUTURE**

### **Objectives and purpose of investment**

According to our national school estate statistics, collected every year from local authorities, of the 2,543 schools in Scotland, there are investment plans across national and local government to rebuild or refurbish 258 schools from 2015-16 to 2019-20, comprising 176 primary, 53 secondary and 29 special schools. This includes the £1.8 billion SSF programme, which is part of the Scottish Government's and local government's shared commitment to improve the learning environment for Scotland's children by replacing or refurbishing the worst condition schools in Scotland. This, in turn, will contribute to the Government's vision of improving the life chances of Scotland's children and young people. A well-managed, sustainable school estate will help the implementation and delivery of the Curriculum for Excellence and help meet climate change targets through the construction of modern, energy efficient school buildings.

A key objective of the school building programme is to help local authorities deliver good quality, well designed, sustainable schools at a competitive price. The programme will support the implementation and delivery of the vision, aspirations and principles of the 2009 joint Government and COSLA school estate strategy, *Building Better Schools: Investing in Scotland's Future*. The strategy sets out a joint long term commitment to increase the proportion of pupils being educated in schools which are in good or satisfactory condition to over 90 per cent, with firm

plans in place to address a significant number of the remaining schools. This will require national and local government to continue to prioritise investment in education to ensure the learning environment is fit for the delivery of curriculum for excellence.

Our aspiration is to fully deliver the SSF programme by end March 2020, ensuring that all projects are delivered on time, to budget and open to pupils as soon as possible. This is underpinned by the current manifesto commitment on removing the number of children and young people from poor condition schools as quickly as possible, a key objective of the SSF programme.

This key objective of removing children and young people from poor condition schools will remain a long term commitment as our firm view is that no matter what a child's socio-economic circumstances or background, every child deserves the right to an equal good start in life and to be provided with a good quality education in modern, state of the art learning environments.

### **Progress**

Over the last eight financial years, 607 school building projects have been completed during the current administration – this equates to almost a quarter of the entire school estate in Scotland. By comparison, this is 279 more schools than the 328 completed over the preceding eight years.

The proportion of schools reported as being in 'good' or 'satisfactory' condition has increased to 83 per cent in 2014, substantially higher than the 61 per cent reported in April 2007. The proportion of pupils educated in schools in 'poor' or 'bad' condition has fallen from 37 per cent (around 257,000 of all pupils) in 2007 to 16 per cent (around 109,000 of all pupils) in 2014.

Total capital expenditure by local authorities, excluding the value of PFI or NPD funded investment, on the school estate was £601 million in 2012-13, £478 million in 2013-14 and £265.5 million in 2014-15.

We continue to build new schools and improve existing schools through our SSF programme. More than 20 per cent of the school estate has been transformed since 2007. However, there is more to do. We must also ensure there is an even greater focus on learning and teaching being firmly embedded in, and led by, evidence of what works. We know that there is already excellent practice in classrooms across the country and we will ensure that excellence is spread more widely and that we learn from local and international practice.

### **Sector plans**

Significant additional investment in schools of around £330 million was announced through the extension to the NPD programme over the summer of 2014 and confirmed in the budget statement in October 2014, the Scottish Government announced that the SSF programme would be increased and expanded with funding now at £1.8 billion delivering 111 new or refurbished schools. This compares to £1.25 billion delivering 55 new schools when the Programme was announced in June 2009.

The Scottish Government is funding 67 per cent of the construction cost of secondary schools, and 50 per cent of the cost of primary and special schools. The funding contribution is calculated by an agreed formula which provides a notional capital value, from which Government's 67 per cent or 50 per cent contribution is calculated. Funding is restricted to the replacement of existing facilities on a 'like for like' basis. Any additional facilities such as adding a new community centre or swimming pool are funded by the authority.

To date, 93 school building projects have been announced: 38 secondary, 49 primary, 2 nursery and 4 Additional Support Needs (ASN) schools, with at least one project in every local authority area. The funding is expected to support another 18 school building projects, which will be identified in due course.

A secondary schools pilot project involving Eastwood High School in East Renfrewshire and Lasswade High School in Midlothian was undertaken with the aim of pushing the boundaries of joint working and establish a best practice model that can be adapted for use across the programme. The pilot project saw SFT and the two local authorities working together to jointly procure both schools in a £65 million ground-breaking collaborative initiative that saved around £4 million as a result of the partnership approach. This was the first time two Scottish local authorities have come together to procure new schools. Construction on Eastwood and Lasswade High Schools commenced in autumn 2011, and both schools opened to pupils in August 2013.

To date, 22 schools are operational (14 primaries, 7 secondaries, and 1 ASN), benefiting almost 11,000 pupils. In addition, there are currently 31 schools currently in construction (13 secondaries, 16 primaries and 1 ASN) – benefiting up to 22,500 pupils.

The SSF programme aims to deliver sustainable schools. Projects are expected to aim for a BREEAM rating of 'Excellent', where practical, and achieve an Energy Performance Certificate rating of B+, prior to renewable technology introduction to help promote higher levels of carbon reduction and energy efficiency as the programme progresses.

### **Delivery partners and structures**

A number of partners are involved in delivering the school building programme.

- SFT co-ordinates, manages and facilitates the programme on the behalf of the Scottish Government and work closely with local authorities on individual procurement processes and provide a challenge function to ensure efficient and effective procurement, as well as sharing good practice across the sector. SFT are also developing the revenue funded models which will be used to deliver part of the programme.
- Local authorities are responsible for the delivery of education and own the school buildings. They are also contributing at least 33 per cent or 50 per cent of the funding for each of the projects.
- Architecture and Design Scotland work with local authorities and SFT to promote the value of user participation and collaboration to help ensure the

school estate is fit for purpose, so that it supports and enhances delivery of Curriculum for Excellence.

- The Carbon Trust works with local authorities and SFT to develop and promote low carbon, energy efficient buildings which will help contribute towards the Government's climate change targets.
- The joint Scottish Government and COSLA school estate strategy, *Building Better Schools: Investing in Scotland's Future*, which was published in 2009, sets out national and local governments shared vision for the future of the school estate. The Strategy is underpinned by a set of aspirations and nine guiding principles and objectives for future planning and action to be taken into account when considering changes to the school estate.

### **Asset management**

As part of the SSF programme, local authorities are expected to demonstrate how the investment in their school building project supports the delivery of, and is consistent with, the nine guiding principles and objectives of the school estate strategy, which emphasise the need for efficient and co-ordinated management of assets across the local authority estate. Local authorities already have well established School Estate Asset Management Plans, which help in the planning, organisation and management of the school estate. The plans include information about the value, extent, condition, suitability, sufficiency and financial performance of the school estate, information which is also collected and published by the Government to provide an annual snapshot of progress in improving the school estate.

All local authorities participating in the SSF programme will be expected to carry out post occupancy evaluations of the projects completed as part of the programme. These will assess the extent to which the investment has met the programme objectives and will provide a platform for continuous improvement.

## **3.3 FURTHER AND HIGHER EDUCATION**

### **Objectives and purpose of investment**

Both the college and university sectors have a central role to play in ensuring that Scotland has a highly skilled, highly motivated workforce, capable of contributing to, and growing, Scotland's economy.

Colleges are key to delivering educational opportunities that support people into jobs. For their part, as well as producing skilled graduates, Scotland's universities are a primary source of innovation and it is vital that they remain internationally recognised and respected for the quality and impact of their teaching and research.

It is important that capital funding allocated to both sectors is aimed at supporting and enabling institutions to deliver in high quality learning and research environments which are fit for purpose and deliver realistic learning opportunities and, for universities, support world class research.

The Scottish Funding Council (SFC) is responsible for distributing capital funding to both the college and university sectors to deliver these aims. In doing so, the SFC is responsible for working with both sectors to support development of business

cases and capital plans which make sense strategically and educationally. The SFC is therefore in a strong position to use its capital allocation to contribute to a number of Scottish Government's key strategic policy objectives as set out in SES - including developing the economy, tackling inequality, being a catalyst for innovation, and attracting international investment.

### **Progress**

Since 2011 the Scottish Government has provided the SFC with over £150 million in capital funding to the college sector, and over £160 million to the university sector to support infrastructure investment. In addition to providing support for specific infrastructure projects, this funding has also provided capital support across both sectors to enable them to maintain their existing estates.

Specific projects which were identified in, and have been completed since publication, of the 2011 plan include:

- £15 million to support the development of the Technology and Innovation centre at the University of Strathclyde – completed in 2015;
- £21 million to support major campus refurbishment at Banff and Buchan College – completed February 2012; and
- £50 million to support the redevelopment of the Glasgow School of Art Garnethill campus – completed March 2014.

Alongside these projects, a number of new capital commitments have been identified and supported by the SFC since 2011 including:

- £6 million development of a joint school/college facility in Levenmouth which is due to open in summer 2016;
- £8 million to install a Combined Heat and Power (CHP) District Energy Network at Strathclyde University – due for completion in early 2018; and
- £10 million to support construction of a biomass energy centre at the University of St Andrews Guardbridge campus – due for completion during the summer of 2016.

### **Non-Profit Distributing Model**

The 2011 plan outlined that delivery of three new college campuses would be taken forward through the Non-Profit Distributing (NPD) model. All three projects have now been taken forward, supporting investment of over £300 million in the college sector:

- £53 million Ayrshire College (Kilmarnock campus) is currently in construction and is due to complete by summer 2016;
- £228 million City of Glasgow College 'supercampus' is progressing well – the Riverside campus was officially opened by the First Minister in October 2015 and the City Campus is in construction and due to open in summer 2016;
- £52 million Inverness College campus was officially opened in November 2015.

All three of these projects will provide state of the art learning environments in which students will be given the opportunity to learn skills which will better prepare them for work.

In October 2014, it was announced that a further £140 million of support has also been made available to deliver two additional projects at Fife and Forth Valley colleges. These projects are currently in development.

### **Sector plans**

As set out in the SFC's Strategic Plan *Ambition 2025: Scotland – The Best Place in the World to Learn, to Research and to Innovate*, SFC has identified its task as 'caring for and developing the whole system of colleges and universities and their connections and contribution to Scotland's educational, social, cultural and economic life.' In delivering this ambition, SFC will ensure that future, strategic capital investments support a broad range of partner agencies including local authorities and communities.

Additionally, subject to other priorities and budget availability, the SFC will focus its future investment on the following:

- significantly improving the learning and teaching environment across both sectors, recognising that colleges' and universities capacity to address their own capital investment needs varies;
- using available funds to leverage in match funding from the Department for Business, Innovation and Skills to support the university sector to improve research space, facilities and infrastructure;
- making strategic investments in partnership with other agencies, that are of national and international significance and which fully exploit the opportunity for funding leverage;
- match funding universities' research equipment needs, particularly in STEM subjects, and continue to support collaboration and the sharing of national facilities;
- aligning strategic, smaller scale capital investment in the college sector with Scottish Government and SFC's own wider policy objectives such as developing school/college partnerships and providing teaching facilities for Scotland's most deprived communities; and
- continue to work with the Scottish Government, SFT and others to fund and design low carbon technology into new buildings across both sectors, and to retrofit low carbon into existing estates.

This approach to future investment will feature in the SFC's ten year infrastructure investment plan which will set out its strategic approach to capital investment until 2025. In determining its strategic approach, the SFC will take into account a number of factors including the current condition of estates, the project's strategic fit with Scottish Government priorities, the project's ability to reduce the carbon footprint and opportunities for leveraging in additional funding from other sources. This plan is currently in development and is due to be published in spring 2016.



## **Delivery partners and structures**

SFC will continue to work with a number of partners to deliver future investment projects. These include:

- **Institutions:** universities contribute significantly to their own redevelopment and renewal programmes. In the college sector a strategic approach to supporting capital investment is vital. Close working with institutions individually and the sectors as a whole will help to identify how SFC can better target its funding.
- **Scottish Futures Trust (SFT):** SFC is currently working with SFT to progress five major college redevelopments.
- **Department for Business, Innovation and Skills (DBIS):** Leading research universities in Scotland benefit from additional capital funding from DBIS to support infrastructure investment. This funding is focussed on maintaining excellent departments with the critical mass to compete globally and the expertise to work closely with business, charities and public services.
- In addition, the SFC is exploring a number of alternative funding options including ways in which funds can be leveraged in from sources such as the **European Investment Bank**, and the **Green Investment Bank**, particularly in relation to delivery of low carbon projects.

## **Asset management**

SFC reviews institutions' estate strategies on an annual basis and is in regular discussion with colleges and universities on estates matters. In the immediate future SFC will continue to focus on supporting institutions to maintain their existing estates to ensure building life is maximised.

Where institutions are seeking to rationalise surplus properties across their estates to ensure they are operating as efficiently as possible, SFC will continue to work closely with institutions to ensure sites are marketed appropriately and the best price is received.

The SFC's property support service works with institutions across both sectors, but especially colleges, to deliver major capital projects and to improve knowledge and understanding of asset management. In the future the role of the service will broaden to include more sector wide research and best practice analysis.

### 3.4 HOUSING

#### **Objectives and purpose of investment**

Making sure that everyone has a safe, warm and affordable home that meets their needs is central to our drive to make this country fairer and more prosperous. Housing is central to a wide range of outcomes including social justice, health and the environment. Investment in housing, particularly affordable housing, is key to achieving inclusive economic growth.

As recognised in the PfG, communities flourish when people have good quality, warm, comfortable homes to live in. Despite challenging economic times and cuts to budgets, we are clear that increasing the scale and pace of the supply of the right new homes in the right areas is a priority, particularly in the affordable rented and private rented sectors.

The Scottish Government's Strategy and Action Plan for Housing in the Next Decade: 2011-2020 is set out in its February 2011 publication *Homes Fit for the 21<sup>st</sup> Century*.

#### **Progress**

The Scottish Government continues to progress towards our vision that all people in Scotland live in sustainable homes which they can afford and that meet their needs. We pledged to deliver 30,000 affordable homes over the lifetime of this Parliament, including 20,000 social homes of which 5,000 would be council homes. Despite a challenging financial environment, we have invested in excess of £1.7 billion to meet the target, reintroduced council house building and protected existing housing stock through abolishing the right to buy.

By the end of September 2015, a total of 29,779 affordable homes had been delivered – 99 per cent of the 30,000 target. This includes 20,174 homes for social rent - exceeding the social homes target, and within that 5,256 council homes exceeding the council homes target by 256. Further management information from the Affordable Housing Supply Programme has shown that we have now met and exceeded our full commitment to deliver 30,000 affordable homes ahead of our target date of March 2016.

To achieve this we and our partners across the housing sector have collaborated in new ways. The sector is continuing its recovery from the effects of the international financial downturn which impacted on both housing developers and would-be home buyers and increased pressures on living standards across households generally. UK government decisions to curb public expenditure and reform aspects of the welfare system have added to challenges in the housing sector.

Other key achievements include:

- Despite the challenging environment the proportionate total number of new homes across all tenures built in Scotland has remained significantly above that in England over the past 10 years.
- Continuing to support households that have struggled to get a foot on the property ladder through our shared-equity schemes, and to protect home-

owners at risk of losing their homes due to financial distress through our home-owners support fund.

- £305 million investment in Help to Buy (Scotland), supporting larger and smaller developers by sustaining effective demand by offering a shared equity product to tackle the crisis in affordability and increased deposit levels required through lenders following the financial crisis. By April 2016 this will have supported people to buy 7,500 new homes, supported developers and employment in the sector and contributed to longer term sustainable economic growth. Ministers' commitment to £195 million of successor funding will support a further 6,500 new home sales, bringing total funding of over half a billion pounds over six years and supporting 14,000 new home sales in total.
- £80 million has been allocated this year to the Open Market Shared Equity Scheme to help around 2,000 households. Between 2007-08 and 2014-15, our shared equity schemes for first-time buyers have helped almost 10,000 people to buy a home.
- We are also maintaining Scotland's leadership in financial innovation and harnessing increased levels of private finance in innovative ways. Approaching 4,000 new affordable homes have been approved through a range of innovative financing mechanisms, unlocking up to half a billion pounds of housing investment. Hundreds of more affordable homes are in the pipeline.

### **Sector plans**

We believe in a fairer Scotland for all and good quality affordable housing is central to making that a reality. The right housing investment is also crucial to sustainable economic growth and we will work with our partners to give sufficient certainty on future funding in order to collectively plan and deliver the necessary increase in housing supply

We will invest over £3 billion to deliver our target of 50,000 affordable homes over the life of the next Parliament. The new target is a 67 per cent increase in affordable housing supply with 70 per cent of the new target being for social rent. The extra homes are expected to support between 15,000 and 20,000 jobs per year and generate in excess of £10 billion in economic activity over the course of the Parliament.

A new shared equity scheme will help around 6,500 households buy a new-build home over the next three years. This successor to the existing Help to Buy (Scotland) scheme will focus more on affordable home ownership and supporting smaller developers. Eligible buyers will receive an equity loan towards the purchase price of a new-build home. By targeting resources, the new scheme will widen access by providing a helping hand to individuals and families who need support to buy a new-build home.

We will take forward further plans with delivery partners in 2016 to help address the development, financing, infrastructure and collaboration issues constraining increased housing supply.

### **Delivery partners and structures**

The *Joint Housing Delivery Plan for Scotland* was published in May 2015. It was developed by the Joint Housing Policy and Delivery Group with membership drawn from a wide range of housing stakeholders, including COSLA and the Scottish Government. The Plan identifies the priority actions that the housing sector agree need a specific focus to ensure we are collectively able to deliver the strategic objectives set out in *Homes Fit for the 21st Century*, and other subsequent Scottish Government strategies with a bearing on housing.

All of the work feeding into the *Joint Housing Delivery Plan for Scotland* was based on the principle of co-production. This approach encourages participation by as many people and organisations as possible. The plan will be used to drive forward agreed priority actions for the next five years.

Fostering innovation is noted as one of the four priorities of SES. Collaboration through this approach will help maximise the opportunities for innovation to achieve more of the right homes, more quickly. This is essential given the financial constraints facing the Scottish Government and its partners.

## **3.5 DIGITAL**

### **Objectives and purpose of investment**

The Scottish Government has long recognised the benefits of world class digital connectivity across the whole of Scotland, and its vital role in enabling a vibrant digital economy. Ongoing improvements to Scotland's digital infrastructure are essential for the future generation of digital public services. Digital public services will provide services, which are easier, quicker and more convenient for people to use, and at a lower cost than other methods. This will bring about public sector efficiencies and savings. Such connectivity will support future innovation in the digital economy and ensure Scotland's business base can grow and remain competitive in the global digital environment. It will help the transition to a low carbon economy by enabling people to travel less and work from home. It will also play a critical role in driving rural economic growth and competitiveness, creating more and better jobs and opening up new opportunities for different ways of living and working that encourage strong and growing rural towns and villages and respects and protects our environment.

The NPF3 has identified the provision of digital connectivity as a national development priority and the SPP is clear that plans should encourage developers to explore opportunities for the provision of digital infrastructure to new homes and business premises as an integral part of a development.

A digitally enabled Scotland underpins our commitment to create opportunities for all to flourish, through increasing sustainable and inclusive economic growth.

A world class digital Scotland will be one in which:

- people choose digital first, having access to digital technology and being capable and confident in its use at home, at work and on the move. They no longer worry about access to the internet, caps on usage, slow upload or download speeds, patchy mobile coverage or mobile signal dropout;
- Scotland's businesses have the skills and the confidence to exploit digital technologies, an economic environment that encourages digital innovation and supports the creation, growth and digital transformation of businesses;
- Scotland is recognised as being seen as an attractive place for inward investment in digital technologies;
- all appropriate public services are delivered online, with partnerships being encouraged and valued as a source of innovation and service improvement. Healthcare, education, energy supply and provision, transport, and waste and environmental management have been transformed through the adoption of new technologies, information and ubiquitous access;
- the 'internet of things' enables local government to manage congestion; maximise energy efficiency, enhance public security; allocate scarce resources and support education through remote learning. Data is being collected and turned into information and knowledge that is further transforming service delivery; and
- there is a future-proofed digital infrastructure supporting any device, anywhere, anytime connectivity across Scotland. The increasingly seamless interaction between fixed and mobile networks will be less visible to people, because a majority connect to the internet wirelessly on mobile devices (tablets, smart phones.) or through wireless platforms (PCs and laptops through home or public space WiFi).

We are currently on a journey towards becoming a world class digital nation. For digital infrastructure the key priorities are to:

- continue to deliver a step change in digital connectivity by extending next generation broadband coverage to as close to 100 per cent of homes and businesses as soon as possible so that no-one is left behind;
- ensure a co-ordinated approach at Scottish, UK and EU level to investment (both private and public sector), public policy and regulation that delivers fit for purpose digital infrastructure and services that support a world leading digital economy; and
- eliminate mobile 'not-spots' across Scotland so that people can make calls and connect their devices seamlessly whenever they want and wherever they are.

## **Progress**

The Scottish Government and its partners are making significant progress. In 2013, we launched the Digital Scotland Superfast Broadband (DSSB) Programme as a vital first step in delivering a step change in digital connectivity and reducing the digital divide. For many people, improving digital connections can contribute to improving their quality of life.

The DSSB programme is being taken forward as two key inter-linked projects - one covering the Highlands and Islands led by Highlands and Islands Enterprise (HIE); the second covering the rest of Scotland (RoS) led by Scottish Government. Both underwent procurement exercises and awarded contracts to BT during 2012-2013.

DSSB is investing over £410 million to extend next generation or fibre broadband infrastructure into non-commercial areas. Alongside commercial coverage, the programme has already met its target of providing access to 85 per cent of homes and businesses across Scotland and is on track to reach 95 per cent of premises by end 2017. The Rest of Scotland project value is £264 million, with the public sector investing £157 million. The Highlands and Islands project value is £146 million, with the public sector investing £126 million. Funding partners include the Scottish Government, HIE, the UK Government through Broadband Delivery UK (BDUK), local authorities and the European Regional Development Fund as well as BT.

To date, DSSB has connected over 475,000 homes and businesses across Scotland from a total target of around 750,000. On average, the programme is connecting 7,000 new homes and businesses every week.

As well as deploying infrastructure, both DSSB projects are focusing efforts to ensure that end users are aware of the new infrastructure and that there is high take-up of services. Demand stimulation is important to ensure that the benefits enabled by the programme are realised. It also delivers commercial benefits for the projects by increasing revenues and providing opportunities for re-investment to increase coverage. Higher than anticipated take-up has already generated around £18 million for early re-investment in both the HIE and RoS project areas.

The Scottish Government also established Community Broadband Scotland (CBS) to support community-led projects in areas least likely to benefit from a superfast broadband solution under the DSSB programme. It aims to transform the way communities live, work and learn by empowering them to develop and deliver their own superfast broadband solutions.

CBS is a £7.5 million initiative and is currently supporting 90 pipeline community organisations through project development and has approved grant funding for 62 projects with a value of over £2.4 million. A total of 13 community broadband projects are now building or delivering broadband services covering over 3,500 premises and 6,700 beneficiaries.

CBS is developing an innovative approach to aggregating communities of interest to deliver the scale required to attract commercial suppliers to build a broadband network. The GigaPlus Argyll project is the first of these which will bring superfast broadband to more than 1,400 homes and businesses across eight island and

mainland communities on the west coast of Scotland – Colonsay, Mull, Iona, Jura, Lismore, Islay, Luing and the peninsula of Craginish. In August we announced a further £9 million funding from the SRDP programme to extend the aggregated approach to more communities.

### **Sector plans**

DSSB and CBS will take us a long way to delivering next generation broadband across Scotland, however, we are determined to ensure that no-one is left behind and that we have a plan in place to deliver next generation broadband to all by 2020.

Scotland has been allocated an additional £21 million by UK Government to further extend next generation broadband coverage, which we have indicated we will match with £21 million. In early 2016, we will set out how we plan to utilise this funding to deliver improved connectivity to the remaining premises.

We will continue to work closely with the UK Government to ensure that the regulatory framework addresses Scottish needs. We welcome the recent UK Government announcement to introduce a universal service obligation for broadband of at least 10Mbps, giving the public a legal right to an affordable connection.

Scottish Planning Policy is clear that the planning system should support development which helps deliver the Scottish Government's commitment to world class digital connectivity. The planning process has also been simplified to encourage greater utilisation of existing infrastructure and to facilitate the provision of services such as superfast broadband to areas not previously accessible or where the costs of development were prohibitive.

### *World class connectivity*

The public investment already being made to deliver a step change outlined above, alongside commercial roll-out of next generation broadband and 4G networks, will be important in improving connectivity and driving further demand for high bandwidth services. However, if Scotland is to have a truly future-proofed digital infrastructure, further investment will be required, both in core (e.g. fibre and internet exchanges) and access networks (e.g. ultrafast and 5G).

During 2012-13, the Scottish Government undertook key pieces of research and carried out extensive stakeholder engagement to help define and develop the vision of, 'Scotland as a world class digital nation where people living, working and visiting can communicate and connect instantly using any device, anywhere, anytime'.

The next stage of development has been to translate this vision into a comprehensive delivery road map for world class digital infrastructure in Scotland. SFT is leading this activity, working alongside SG, key public sector stakeholders and industry. Working with SFT provides an opportunity to apply their expertise in infrastructure investment to digital, and to build and retain that knowledge within Scotland.

The work considers how digital can deliver a seamless experience for consumers in Scotland regardless of where they are or what they are doing, and how efficient, accessible networks (both fixed and mobile) will ensure the quality of this experience and services. The vision also understands that there will be an exponential growth in demand for data, services and content and therefore must ensure a digital divide does not exist in Scotland going forward. Detailed analysis is currently underway through a number of work streams:

- **Baselining Scotland:** Understanding the current digital infrastructure footprint of Scotland and its capabilities, including how far current projects will take us in delivering a world class service.
- **Infrastructure Future Needs:** An assessment of the future needs and configuration of Scotland's digital network to deliver the vision, including considering how factors such as convergence, data demand and experience will drive this.
- **Market Analysis:** Working with key stakeholders developing an understanding of the drivers, aims and aspirations of the wider private sector telecoms market and how that translates to activity in Scotland.
- **Financing and delivery structures:** Assessing alternative financing, commercial and delivery structures that could allow the public sector to stimulate the market in a more sustainable and cost effective way, and accelerate the deployment of infrastructure.
- **Regulation and Policy:** Considering how current and future policy can be used to lever further digital capability, and the way in which it can support the wider industry to invest and grow. Ofcom's recent *Strategic Review of Digital Communications* will play an important role in setting the future direction of the telecommunications landscape.

Over the next 12 months, we will set out a detailed digital infrastructure road map to deliver world class connectivity. Alongside the analysis and development of the road map, SFT is also delivering a number of prototype projects aimed at trialling innovative technologies and alternative sustainable business models. This is known as the Demonstrating Digital programme and its purpose is to test approaches that could be replicated more widely across Scotland. Examples of projects include:

- supporting housing associations in both Glasgow and Edinburgh to prototype affordable broadband services to digitally excluded tenants;
- partnering with Strathclyde University to demonstrate white space technology as alternative solution for wireless broadband services; and
- facilitating a partnership between Coll Development Trust and Vodafone to develop a sustainable business model for the delivery of 4G mobile services to a remote island community.

### Mobile

In parts of the country, poor mobile coverage – both voice and data - remains a concern. Responsibility for mobile coverage remains reserved and, due to the nature of mobile networks, public sector intervention is less straightforward.



We believe that mobile broadband will increasingly become a sustainable alternative for fixed broadband in the future, particularly as we move towards the development of future technologies beyond 2020, such as 5G. The mobile pilot project in Coll is an example of how delivering 4G services to a remote island can provide access to mobile broadband and is helping to transform lives of the people within the community.

The Scottish Government is currently working with mobile network operators to develop a joint plan to improve mobile coverage 'not-spots' and put in place the building blocks for world class connectivity. We will set out our plans for action in early 2016. These will include examining business rates charges for masts in remote areas, further changes to planning, and access to land and buildings.

### Wi-Fi

We are committed to promoting access to free public Wi-Fi, with up to £1.5 million funding provided in 2015-16. This commitment is central to our world class vision, helping to increase digital participation and tackling connectivity issues in hard to reach communities that are either digitally or geographically excluded.

During August 2015, we outlined how we will invest in both public building and public space Wi-Fi. The approach will contribute to town centre revitalisation, urban and rural regeneration, community empowerment and digital participation. It is also supporting the recommendation to extend Wi-Fi to those libraries that are currently without services.

Alongside the delivery of public building and space Wi-Fi projects, a strategic framework is also being developed that aims to: build greater capacity and capability across the public sector in designing and delivering public wireless projects; and that is adaptable to the needs and opportunities present locally and nationally across Scotland.

### **Delivery partners and structures**

DSSB is delivered through a partnership with Scottish Government, HIE, local government and BT, who won both contracts. Local government is playing a crucial role, both as a funder and a delivery partner. The public funding includes funding from all local authorities as well as additional funding from 14 local authorities in the RoS project area who are investing around £51 million to increase coverage, meet local priorities and address the digital divide in their areas.

CBS is managed and delivered by HIE across the whole of Scotland, in partnership with SG, SE, COSLA, SLAED, Carnegie UK Trust and Scotland's National Park Authorities. The aggregated approach that CBS is taking forward will test innovative delivery and funding models.

## 3.6 HEALTH

### Objectives and purpose of investment

The strategic agenda for healthcare services in Scotland is set by The *Healthcare Quality Strategy for NHSScotland*. This is the overarching strategic context for the direction, development and delivery of all healthcare services for years to come both in terms of securing improvement in the quality of healthcare services, and in achieving the necessary efficiencies. Getting the right assets and facilities services in place is central to achieving the '2020 Vision' and requires major change to the type and distribution of assets and facilities services and the way in which we prioritise investment in the future.

Investment in NHSScotland infrastructure supports modern, effective and high quality patient care; it also directly supports the effective diagnosis and treatment of patients.

The effective acquisition, maintenance and disposal of these assets is a fundamental responsibility of management in supporting the efficient delivery of clinical and support services. The ultimate aim is to deliver the highest quality healthcare services to people in Scotland and through this to ensure that NHSScotland is recognised by the people of Scotland as amongst the best in the world. The strategy clearly sets out the way in which NHSScotland will work with its partners across the public and third sectors, and with patients, carers and the public to deliver health improvement, tackle health inequality and improve the quality of health care.

In order to deliver the highest quality, best value healthcare services for every person in Scotland, we need to maximise the existing NHS estate and 'future proof' new developments to allow for service redesign and technological advances. The settings in which healthcare is being provided are changing, becoming more local, with large acute settings focusing on specialised care. The focus of our healthcare strategy is on outcomes, community-based services and the facilitation and support of joint planning and delivery of services, through programmes such as hub.

Crucially, the infrastructure programme supports the implementation of the three quality ambitions in the strategy, which are that healthcare will be:

- **patient-centred**, respecting individual needs and values;
- **safe**, ensuring no avoidable injury or harm and an appropriate, clean and safe environment at all times; and
- **effective**, with the most appropriate treatments, interventions, support and services will be provided at the right time to everyone who will benefit.

Key infrastructure priorities:

- **New diagnostic and treatment centres** - The centres will allow people to be treated more quickly for planned surgery and the facilities will help the NHS meet increasing demand from a growing elderly population, taking pressure off unplanned and emergency treatment, reducing the use of the private sector and allowing the delivery in full, and on a sustainable basis, Scottish Government guarantees on inpatient/day case waiting times.

- **New-build community health centres and improvements and reconfiguration in existing community facilities** - In order to achieve the Scottish Government's policy of shifting care out of hospitals and into local communities, we need to build the capacity to enable general practice to provide this care. Integration of health and social care is the Scottish Government's ambitious programme of reform to improve services for people who use health and social care services, and requires fit-for-purpose accommodation.
- **Effective management of the existing estate to address backlog maintenance, ensure statutory compliance and ensure that these are safe, fit-for-purpose and efficient** - NHSScotland's currently identified estate backlog maintenance expenditure requirement is the base cost required to bring those parts of the existing estate which are currently not in satisfactory condition, back to Condition B (satisfactory). It is an ongoing challenge for the NHS to balance investment between that which is focussed on service improvement and development, and that which is necessary to maintain buildings in a good condition and ensure that they are safe, reliable and fit for purpose.
- **Renewables, energy efficiency and climate change** - Considerable overall energy price rises are expected over the next decade, if there are no changes in the current levels of energy consumption, NHSScotland is likely to see a doubling of energy costs to around £140 million per annum by 2020. Three NHS Boards are planning to invest in the Carbon Energy Fund which would provide reliable and efficient energy supplies, improve the energy infrastructure, minimise energy consumption, reduce greenhouse gas emissions through improved energy generation efficiency, distribution improvements and control system upgrades and fulfil statutory requirements.
- **Completion of the delivery of the £1.15 billion pipeline of revenue-financed infrastructure investment** – Over £500 million of the initial £750 million pipeline is now either complete or under construction. The focus will now be on achieving financial close on the remaining projects and developing the projects in the £400 million extension of the pipeline, including the Baird Family Hospital and ANCHOR Centre in Aberdeen and the completion of the programme of investment at the Royal Edinburgh Hospital.

### **Progress**

Over the period from 2011-12 to 2015-16, there will be net capital investment of £1.8 billion in the property, equipment, information technology and other assets. Investment in infrastructure through the capital budget has been supplemented over this period by a commitment to £1.15 billion of revenue-financed investment in health infrastructure through the NPD and hub programmes. From 2013-14 to 2015-16, these programmes will deliver estimated investment of over £500 million.

Since 2008, investments have ranged from large acute hospitals to smaller primary care premises, a number of which were funded through the Primary Care and Community Premises Modernisation Programme. In all cases projects have been rigorously assessed for value for money and to ensure that they contributed to

improvements in the quality of the estate and service delivery. Projects included the following:

- **West Scotland** – The Queen Elizabeth University Hospital and Royal Hospital for Children was officially opened by Her Majesty The Queen on 3 July 2015. Construction of this £842 million project commenced in February 2011 and was delivered in March 2015. The new adult acute and children’s hospitals were both delivered under budget and ahead of schedule which allowed NHS Greater Glasgow and Clyde to build a separate office building to house all the clinical and administrative staff needed to run the hospitals. Space within the hospitals was therefore maximized for delivering patient care.
- **East Scotland** - Following the completion in 2012 of the £172 million new wing at Victoria Hospital in Kirkcaldy, which provides specialist and acute services to patients across Fife, the Scottish Government has supported the continuing redevelopment of hospital services in Fife, including diagnostic and treatment services at Queen Margaret Hospital.
- **South Scotland** – The Dumfries and Galloway Acute Mental Health Unit, is a mental health facility for in-patient care. Opened in 2012 it replaced the accommodation previously provided by Crichton Royal Hospital. It provides a modern, stable and secure environment for patients requiring specialist care; the hospital has six wards and 85 beds.
- **North Scotland** – The Aberdeen Community Health and Care Village (£23 million) was opened in 2013 and is an urban community hospital without beds and has provided a diagnostic and treatment centre for the people of Aberdeen.
- **Highlands and Islands** – A new care centre for Mull and Iona was completed in 2012 featuring inpatient beds, outpatient and community casualty facilities and supported living flats managed by West Highland Housing Association. Tain Health Centre was completed last year and a new health centre for Scalloway opened in 2015.

### **Sector plans**

The need for investment continues to exceed the available budget, therefore, there will be a continuing need to prioritise spend; to work collaboratively with partners through hub in both the procurement of new and management of existing assets; and to test the suitability of new developments for delivery through innovative financing mechanisms.

Over the next five years it will be necessary to ensure sufficient capital funding is made available:

- for all legally committed projects;
- to maintain the quality of the existing estate;
- to ensure statutory compliance of buildings, plant and equipment (including re-equipping hospitals built over the last ten years); and
- to make contributions towards the costs of development (e.g. feasibility, planning, design), advice (e.g. legal, financial, technical) and enablement (e.g. land purchase or preparatory works) for NPD schemes and towards similar costs for hub-led schemes.

Beyond the next five year period, it is anticipated that there will be increasing emphasis placed on the following areas of investment:

- procuring medical equipment technology that supports the *Healthcare Quality Strategy* and in particular reinforces the need to diagnose and treat early stage disease; offer a range of treatments that befits a world class health service and reflects the needs of an ageing population;
- ensuring blueprints for the future at major health campus sites are translated into infrastructure that support healthcare services to achieve more efficient patient pathways;
- promoting major service redesign in community and primary care facilities to reflect changes in treatments, and technology; trends in demographics, epidemiology and access to services as well as making sure the care and services that are being provided are affordable, sustainable and tackle inequalities; and
- providing fit-for-purpose facilities to support integrated health and social care services, and through this support the Scottish Government's policy of shifting care closer to people's homes.

Despite the challenges associated with falling capital budgets over the coming years, the Scottish Government is committed to taking forward projects to increase service efficiency, effectiveness and sustainability in the health sector, including:

- **West Scotland** – Major projects are underway in Ayrshire, upgrading 'front door' services at Ayr and Crosshouse hospitals and delivering a new integrated mental health and community hospital.
- **East Scotland** - We are investing £150 million to redevelop services from the Royal Hospital for Sick Children, Child and Adolescent Mental Health Service and the Department of Clinical Neurosciences in a single building adjoining the Royal Infirmary of Edinburgh at Little France. The new co-located building will see services from the Royal Hospital for Sick Children, Department of Clinical Neurosciences and Child and Adolescent Mental Health Service brought together in a modern and high-quality setting at Little France.
- **South Scotland** – The new £274 million Dumfries and Galloway Royal Infirmary will facilitate the provision of services in a high quality environment which is fit for purpose for staff, patients and visitors. The project is now under construction and due to become operational in March 2018.
- **North Scotland** – Investment of £120 million for a new women's hospital, which will include a replacement for the maternity hospital, and a cancer centre on the Foresterhill site in Aberdeen.
- **Central Scotland** - NHS Lanarkshire Health Centres (£43 million), these three revenue financed projects involves the delivery of three health centres located in Kilsyth, East Kilbride and Wishaw which are due to be opened in 2015-16.
- **Highlands and Islands** – NHS Western Isles have a proposed investment in health and social care services for the populations of Barra and Vatersay. The aim is to develop a model of care to facilitate improvements in quality and efficiency, by creating a 'joined up' approach between the two

organisations through the creation of a 'community resource hub' which would include social care as well as primary, community and hospital healthcare services.

To support investment in major hospital developments, the Scottish Government has made available revenue funding to support construction costs of £1.15 billion. The major NPD projects are:

**In construction:**

- NHS Ayrshire and Arran - North Ayrshire Community Hospital.
- NHS Dumfries and Galloway - re-provision of services at Dumfries and Galloway Royal Infirmary.
- NHS Lothian - re-provision of services for the Royal Hospital for Sick Children and Department of Clinical Neurosciences in Edinburgh.
- NHS National Services Scotland - Scottish National Blood Transfusion Service - rationalisation of five properties sited in Edinburgh and Glasgow.

**In development:**

- NHS Orkney - re-provision of services at Balfour Hospital in Kirkwall.
- NHS Grampian - The Baird Family Hospital and ANCHOR cancer centre in Aberdeen.

The hub initiative is the key vehicle in health to deliver revenue funded and public capital funded investment in community based facilities. Community projects currently being explored for delivery through the hub initiative include:

- NHS Forth Valley - Stirling Care Village
- NHS Grampian - Aberdeen Health Village
- NHS Grampian - Newmachar, Balmedie Blackburn and Elswick
- NHS Grampian / NHS Highland - Forres / Tain / Woodside
- NHS Greater Glasgow and Clyde - Gorbals and Woodside Health Centre
- NHS Greater Glasgow and Clyde - Maryhill, Eastwood and Inverclyde Health Centre Bundle
- NHS Greater Glasgow and Clyde – Health and Care Centres in Greenock and Clydebank
- NHS Highland / NHS Grampian - Logiliphead Mental Health / Inverurie Health Centre
- NHS Highland - Skye, Lochalsh, south west Ross-shire and in Badenoch and Strathspey
- NHS Lanarkshire - Health Centres in Wishaw, East Kilbride and Kilsyth
- NHS Lothian - Health Centres in Blackburn, Firhill and Muirhouse
- NHS Lothian - Royal Edinburgh
- NHS Lothian - East Lothian Community Hospital
- NHS Scotland - Access to Unlicensed Medicines

## **Delivery partners and structures**

### NHS Boards

NHS Boards have a distinct role and prescribed statutory duties conferred upon them by Scottish Ministers under the Functions of Health Boards (Scotland) Order 1991. Specific functions are specified with reference to the provisions of the National Health Service (Scotland) Act 1978. Legislation requires that primary day-to-day responsibility for safeguarding NHS property rests with the Chief Executive of each NHS Board. This is a significant responsibility and they are answerable to the Accountable Officer for NHSScotland, its Chief Executive.

Across all NHS Boards five year plans have been produced aligning capital programmes to strategic and service objectives. These are articulated within Local Delivery Plans covering service targets and financial plans (including the capital programme). The overall service strategies are supported by board-wide property strategies.

All projects with a capital investment in excess of the delegated limit for NHS Boards (which range between £1 million and £5 million) are subject to approval of the Scottish Government's Capital Investment Group. All capital investment is subject to the guidance and principles set down in the Scottish Capital Investment Manual which is consistent with HM Treasury's Green Book principles.

In line with current policy, the majority of capital resources have been allocated by formula to NHS Boards for them to identify their capital spending requirements and prioritise these in line with available resources. The remainder is held centrally and allocated to NHS Boards for specific projects above their delegated limits.

### Scottish Futures Trust (SFT)

SFT is managing the hub programme, which is an innovative and collaborative approach to the funding and delivery of community assets on behalf of the Scottish Government. Facilities are delivered by selected private sector partners working in partnership with public sector bodies through joint venture companies across five hub territories covering the whole of Scotland. Investment may be a mix of capital and revenue funding provided by the public and private sectors.

SFT also has a key role in providing a centre of expertise and advice on the development, funding, structuring, procurement and management of NPD projects. Procuring bodies will therefore be working closely with SFT throughout the development of their projects and seeking SFT approval at specific points, in order for the project to proceed to delivery.

Finally, SFT supports the wider health investment programme, providing advice and expertise in project development, asset management and strategic property disposals.

### Asset Management

The high-level priority of asset management is to improve efficiency and effectiveness of asset management to support delivery of high quality healthcare services by ensuring that assets are:

- **safe** - meeting statutory and regulatory requirements;
- **fit for purpose** - meeting patient and clinical requirements; and
- **efficient** - delivering best use of resources through strategic management of disposals, maximising opportunities to rationalise estate, making efficient use of space, reducing running costs, targeted maintenance and capital works investment.

Throughout NHSScotland, Boards keep under review their asset management plans which include the option of disposing of assets. We are continuously seeking to improve the strategic management of disposals to ensure best value for taxpayers' money is secured.

At a strategic level the asset management policy mandates collection of asset management data. Data is input to a new national asset management system and will feature in annually updated asset management plans for each NHS Board. Further assurance will be provided by a national asset management survey programme which will look at building condition on a rolling three year basis.

NHS performance has been made more open and transparent by a new performance framework set out in an annual *State of the Estate Report*. This document reviews and serves to highlight performance improvement. Evaluation of performance will provide an evidence base for identifying best practice.

## **3.7 TRANSPORT**

### **Objectives and purpose of investment**

Investment in Scotland's transport is a key enabler for delivering sustainable growth by increasing competitiveness, supporting employment and opportunity across all of Scotland: we all use transport, or rely upon it for the movements of goods, services and people, as part of our daily lives. This supports the vision of Scotland as a connected place where we make better use of our existing infrastructure, and have improved internal and international transport links to facilitate our ambition for growth and our commitment to an inclusive society. Transport investment is across all modes, on roads, railways, buses, ferries, inland waterways, air services and active travel.

The NTS sets out three key strategic outcomes for transport:

- improving journey times and connections – to tackle congestion and the lack of integration and connections in transport which impact on our high level objectives for economic growth, social inclusion, integration and safety;
- reducing emissions – to tackle the issues of climate change, air quality, noise and health improvement which impact on our high level objective for protecting the environment and improving health; and



- improving quality, accessibility and affordability – to give people a choice of public transport, where availability means better quality transport services and value for money or an alternative to the car.

The transport investment hierarchy of maintaining and safely operating, making better use and then lastly promoting targeted improvements, makes best use of limited resources and ensures that new infrastructure is identified only after other approaches have been considered. It promotes and supports a more sustainable transport network by encouraging efficient use of existing road and rail resources, encouraging sustainable mode choices through targeted rail enhancements and providing better opportunities for strategic public transport and freight movements.

The NTS and our investment priorities also reflect the geographic dispersal of our population and the importance of transport in supporting our rural and island communities through the stimulation of social and economic growth.

The diverse geography of Scotland means a critical part of our maintenance of the existing networks is to continue to provide opportunities for everyone to access transport. This includes ensuring that ferries are able to operate, that airports remain open and that lifeline services and connections for remote and rural communities are maintained. Beyond investing in the right infrastructure this requires continuing investment in schemes including roll out of the Road Equivalent Tariff scheme as the basis for ferry fares, the Air Discount Scheme, Bus Service Operators Grant, the evolution of the concessionary fares scheme, contracts for ferry operation as well as the ScotRail franchise.

## **Progress**

Transport Scotland continues to deliver the three Key Strategic Outcomes on the strategic road and rail networks through the work of the five Operating Companies for the Trunk Road and through Network Rail and Abellio ScotRail for the rail network. For other modes and networks, this delivery has taken the form of the Road Equivalent Tariff fares now rolled out to all routes covered by the Clyde and Hebrides Ferry Services contract, continuation of the Air Discount Scheme, and the Concessionary Fares scheme for everyone over 60 on buses across Scotland. These all require the infrastructure they use to be maintained and safely operated.

### Roads

We have completed targeted improvements to the trunk road including A9 Crubenmore, A96 Fochabers Bypass, improvements on the A75 at Dunragit and Hardgrove, A77 Symington to Bogend Toll, and improvements on the A82 at Pulpit Rock and Crianlarich.

The Forth Replacement Crossing (FRC) project is the biggest transport infrastructure project in Scotland for a generation. It includes the Queensferry Crossing and remains on programme to open in December 2016 and at a cost of £1.325 to £1.350 billion, £245 million under the original budget set in June 2011. The FRC project is vital to the economy of Scotland and is delivering significant economic contribution through the average level of employment during construction and the additional benefits through the supply chain for Scottish businesses. When complete, the Queensferry Crossing will help maintain essential

links across the important cross-Forth transport corridor in the East of Scotland. Whilst the Queensferry Crossing is the project's centrepiece, the project also involves a major upgrade to the road and public transport networks in eastern Scotland. The British Chamber of Commerce has estimated that the FRC project would deliver economic benefits worth around £6 billion to Scotland's economy.

Scheduled for completion in spring 2017, the M8 M73 M74 Motorway Improvements Project is a £500 million investment in the motorway link between the country's two largest cities and is pivotal to Scotland's sustainable economic growth.

Construction is underway on the long awaited Aberdeen Western Peripheral Route (AWPR) Balmedie Tippetty with completion scheduled for winter 2017. It has been procured through a NPD Model form of contract and combining the two projects into one contract delivers better value for money. It is estimated that the AWPR will generate over £6 billion additional income for the North East, at reducing costs to business and providing opportunities for increased sales. Over 14,000 jobs are expected to be generated over the first 30 years after the scheme opens.

Scottish Ministers have made available the necessary funding to complete the Inveramsay Bridge worth around £10 million. Completion of this scheme in spring 2016 will help to cut congestion, improve journey time reliability and traffic flows, as well as reduce the likelihood of bridge strikes which can cause disruption to road and rail users alike.

The Scottish Government has given a commitment to complete to dual the A9 between Perth and Inverness by 2025 and the A96 between Inverness and Aberdeen by 2030. These are ambitious targets but underline the commitment to connecting Scotland's cities with a high quality transport system that will generate economic growth and will ensure the road network between all Scottish cities is of dual carriageway standard. Since the announcement in December 2011, over £33.7 million has been spent on the design process.

Our key trunk roads are to be improved and access to our international gateways, ports and airports is essential if Scotland is to remain competitive internationally. We have designated Grangemouth and more broadly the Firth of Forth as national developments for container freight improvements.

### Rail

A safe, punctual and sustainable rail network is vital to the success of any modern economy and investment in our rail infrastructure and services remains a key priority of the Scottish Government. Over £6 billion has been invested in Scotland's railways since 2007, supporting growth through new and better services, new trains, new tracks, new and improved stations, and policies aimed at improving affordability and accessibility by keeping fares down.

The capacity and capability of the rail network in Scotland has been significantly enhanced through a rolling programme of electrification that has seen the £12 million Paisley Canal, £80 million Cumbernauld and £35 million Whifflet routes electrified, supporting faster, greener and more efficient passenger journeys.

The £27 million redevelopment of Haymarket Station, completed on time and on budget, opened to passengers in December 2013 and was followed by the new Dalarnock station which successfully supported huge volumes of passengers during the Commonwealth Games in summer 2014 and Gleneagles station which was remodelled and substantially renovated to facilitate visitors to the Ryder Cup.

The Borders Railway was opened in September 2015 and, with seven new stations, represents the longest domestic railway to be constructed for over 100 years in the UK. The project was completed on time and on budget. Passenger services commenced in September 2015, with 192,000 passenger journeys being taken in the first 6 weeks of service.

As part of the £742 million Edinburgh to Glasgow Improvement Programme (EGIP) a £250 million contract for electrification of the main Edinburgh-Glasgow line is on site and making good progress. The electrification contract includes preparatory works for the installation of overhead electric wires over the 45 mile line, lengthening station platforms to accommodate longer trains and track improvement. A key milestone was reached in July 2015 with the Winchburgh tunnel works successfully completed on time and within budget.

After successful procurement exercises, new franchise contracts for the operation of ScotRail and Caledonian Sleepers were awarded in 2014 and started in April 2015. The award of both contracts confirms the Scottish Government's commitment to transform Scotland's rail services.

### Ferries

We have invested in our ferry services with the deployment of the new MV Loch Seaforth on the Stornoway-Ullapool route, the delivery of the first hybrid ferries to operate in Scotland, MV Hallaig and the MV Lochinvar, and the launch of the third, MV Catriona, on 11 December 2015. Contracts worth £97 million for two new major ferries for Clyde and Hebrides services have been awarded to Ferguson Marine Engineering Ltd of Port Glasgow.

The Scottish Government is committed to supporting Scottish remote and fragile island communities with recent investments at Ullapool and Stornoway harbours of approximately £30 million. In addition, around £30 million will be invested in Brodick harbour redevelopment over the next two years to secure a safe, efficient and reliable ferry terminal and service. The Scottish Government will support the project by providing £17.8 million.

### Sustainable and Active Travel

Our work on the low-carbon economy and promoting sustainable travel choices has proved effective in contributing to our challenging climate change obligations, and will continue to be developed further, including air and noise emission improvements that can also be realised by such action.

Our electric vehicle (EV) roadmap, *Switched On Scotland*, published in 2013, sets out Scottish Government's ambitious vision: to free Scotland's towns, cities and communities from the damaging emissions of petrol and diesel fuelled vehicles by 2050.

To support the delivery of this vision, since 2011 we have invested more than £11 million in the development of the ChargePlace Scotland network of over 900 publicly available EV charging bays (over 450 units).

We are also supporting EV uptake through our *Switched On Fleets* initiative that offers free, evidence-based analysis of public sector fleets, identifying new opportunities for the cost effective deployment of EVs. A total of £2.5 million of grant funding is being offered to each of the 32 Community Planning Partnerships over 2014-15 and 2015-16 to help them buy or lease EVs. Through this scheme we expect to introduce over 250 new EVs into the public sector fleet, reducing fuel use and emissions in the process.

In addition, the Scottish Government has been a key funding partner in the Aberdeen Hydrogen Project which has seen Europe's largest fleet of hydrogen powered buses entering service on two routes within the city. The project is also supported by the Scottish Cities Alliance and has delivered a state-of-the-art green hydrogen production and refuelling station in the city. A second station is now being developed in the city and Fife Council is a partner in a Scottish Government funded project which will establish a hydrogen production and refuelling facility in Levenmouth.

Scottish Government investment in active travel supports these objectives and in both 2014-15 and 2015-16 was at record levels of over £39 million. Since 2007, 215 miles have been added to the National Cycle Network in Scotland, whilst, since 2011 when the Community Links Programme was opened, 131 miles of new walking and cycling paths have been created in and around our urban areas.

Local authorities and Regional Transport Partnerships are being supported to prepare active travel strategies for their areas – identifying the key trip generators and destinations, the existing network and priorities for improvement or extension. Local authorities and their partners principally deliver improvements, utilising Scottish Government grant funding distributed through Sustrans Scotland. Local authorities and individual landowners are responsible for maintaining infrastructure, other than that associated with the trunk road network which is the responsibility of Transport Scotland.

We have invested nearly £13 million over the last five years to support bus operators bringing into service new low emission buses, helping to tackle climate change and improve urban air quality. These capital grants towards the costs of new buses have been complemented by Bus Service Operators Grant, which contributes towards the financial sustainability of the overall bus network, helping provide the conditions for private investment by bus operators and providing additional incentives for low carbon vehicles.

Through two rounds of the Bus Investment Fund, we have supported a range of local and regional projects during 2013-14 to 2015-16 aimed at delivering improvements to bus and other local public transport services.

We have continued to work with the Scottish Road Works Commissioner and the wider road works community to promote better management of road works across Scotland's trunk and local roads network, balancing the interests of road users, utilities and their customers, and road authorities.

## **Sector plans**

The Transport sector plan is closely aligned to the investment hierarchy, with the majority of Transport Scotland's budget being directed to maintain and safely operate the existing networks and seeking to make a real contribution to climate change targets. By 2020 we aim to continue having well maintained transport networks, with their capacity optimised, and with a clear investment plan for improvements where these go beyond maintenance or optimisation in line with the recommendations of the Strategic Transport Projects Review (STPR).

We are conducting a review of the current system for regulating the planning and execution of road works to enable essential infrastructure located under roads to be maintained and improved while minimising disruption to road users and the risk of impairment to the roads network. The review is due to report in spring 2016. The concessionary fares schemes, support for green buses, contracts for ferry operation as well as the ScotRail franchise. Transport Scotland is providing substantial funding towards the Strathclyde Partnership for Transport (SPT) programme to modernise Glasgow's subway, a system that carries some 13 million passengers every year.

### Trunk Roads

Maintaining and safely operating our trunk road and rail networks, as well as implementing our strategic road safety plans requires some £400 million every year. This provides for essential services including ensuring the networks are available throughout the winter, and addresses the most urgent maintenance of the trunk road. The trunk road network is 3,429 km long, and the rail network some 2,759 km, of which 24 per cent is electrified. The backlog of structural maintenance schemes is increasing and remains challenging.

On the roads we will continue to seek to realise the benefits that can be gained by using Intelligent Transport Systems (ITS) to make our trunk road network as safe and efficient as possible. There will be a new ITS 10 year strategy document which will map out options such as further managed motorways like the current Fife ITS scheme. Work will also continue towards achieving the casualty reduction targets set out in Scotland's Road Safety Framework to 2020. This will be supported by the refresh of the Strategic Road Safety Plan and continued effective deployment of safety cameras. A recent example is the £2 million plus spend on average speed cameras on the A9. This has achieved not only notable casualty reductions but also improved journey time reliability.

Investment and research will continue into making the trunk road network even more resilient to the effects of adverse weather. For example, for winter season 2015-16 152 state of the art gritters operating on the trunk roads are less than three years old.

We also plan to invest in technology to assist the optimisation of the trunk road network through providing clear and helpful information. The recently published smartphone app allows users to access information from Traffic Scotland wherever they need it. This is in addition to a programme of managed motorways, including ramp metering, active signage and measures like the bus hard-shoulder running being implemented during construction of the Forth Replacement Crossing.

## Rail

Demand for rail travel in Scotland continues to boom with over 93 million passenger journeys last year and a further £5 billion programme of investment in the network was committed for the five year period to 2019, helping to better connect communities and support sustainable economic growth and jobs across the country.

The Final Business Case for the EGIP was published January in 2014 based on a capital outturn cost of £742 million for the current phase which will be fully delivered by March 2019. It remains predicated on delivery of Edinburgh-Glasgow electrification by December 2016 and will deliver additional electrified routes between Glasgow and Edinburgh via Shotts and to Stirling, Dunblane and Alloa. New Hitachi electric trains will help exploit the benefits of this investment, with faster journey times and increased capacity helping transform the passenger experience.

The Contract for the first phase of the Scottish Government funded Aberdeen to Inverness Improvement Project (£170 million) to upgrade the rail line between Aberdeen and Inverness was awarded by Network Rail to BAM Nuttall Ltd in October 2015. Phase One of the project is due to be completed by March 2019. Works include redoubling of track between Aberdeen and Inverurie, signalling enhancements, platform extensions at Inch and Elgin, Forres station relocation and track improvements and infrastructure to support two new stations at Dalcross and Kintore.

This investment will also help deliver substantial improvements in services between Aberdeen and Inverness, supported by the introduction of fully refurbished high speed trains. Future phases of the project will help support an hourly service between Aberdeen and Inverness, with an average journey time of around two hours. The exact scope and timing of works to achieve this is still to be determined and will be dependent on sufficient resources being available to support their delivery during Control Period 6 (2019 to 2024).

Investment in the rail infrastructure between Aberdeen and the central belt will support improved connectivity and journey times for passenger services and an improved capability for rail freight.

Improved station environments will also be delivered at Glasgow Queen Street, Dundee, Inverness, Motherwell, Stirling, Perth and Aberdeen.

Increased capacity through additional tracks and longer passing loops, network electrification, gauge clearance, and other infrastructure works will support new and improved opportunities for rail freight across the country. In addition to the major rail enhancements programme, a £30 million Strategic Rail Freight fund is supporting further investment on strategic infrastructure enhancements to encourage growth in the sector and support safer and more sustainable ways of transporting products and materials.

Growth in passenger numbers is forecast to continue, placing further demands on capacity across the rail network particularly between our cities and at major terminal

stations, including Glasgow Central and Edinburgh Waverley. Planning beyond 2019 is well underway in accordance with the priorities set out in the Strategic Transport Projects Review and informed by analysis and options developed by the rail industry and part of the regulatory planning processes.

The Scottish Government commissioned, jointly with the UK Government, HS2 Ltd to undertake a Broad Options study of how high speed rail could be extended to Scotland. The way forward in the light of the study's findings will be determined by the Scottish and UK governments in 2016.

### **Delivery partners and structures**

The very nature of transport networks requires working with partners and different levels of government. The strength of such partnerships has been evident and essential in the successful delivery of major events such as the Commonwealth Games and Ryder Cup in 2014 as well as the completion of major projects such as the Borders Railway in 2015.

Transport Scotland is an active member of the Scottish Government's Key Agencies Group promoting earlier engagement between Developers, Planning Authorities and bodies including Transport Scotland, SNH, SEPA, Historic Environment Scotland and Scottish Water. This has had real benefits in delivering planning reform outlined in the 2006 Planning Act, and sets the agenda for improved land use and transport integration.

The backdrop of constrained capital expenditure means other models for delivering schemes and measures have been explored. The continued construction of the Queensferry Crossing funded from Transport Scotland's capital budget leaves little funding room for additional capital expenditure. This has led to the use of alternative models for major roads projects as well as the continued use of the Network Rail RAB for rail infrastructure projects such as EGIP.

We have strong contractual relationships to deliver schemes, including with our five Operating Companies for the trunk road network. These contracts have been running in some form since 1995, are currently in their fourth generation, and with the support of the Performance Audit Group, set clear performance targets. This is felt most strongly when the network is under greatest stress, and the major efforts during severe winters or landslide events ably demonstrate the ability of all involved.

The Scottish Government strongly believes that a more integrated approach across the whole industry is in the best interests of Scotland's railways. The emergence of the ScotRail Alliance, formed between Abellio ScotRail and Network Rail Scotland, will put the needs of passengers at its heart through the delivery of better, more reliable services, increased innovation, and a more efficient management and operation of the rail network in Scotland.

Network Rail's reclassification as a central government body has resulted in direct accountability to the UK Government although a memorandum of understanding has been agreed to set out the role of the Scottish Ministers in relation to Network Rail's formal governance. Separate funding arrangements are also in place, which

includes the ring-fenced loan agreement for Scotland designed to cover the funding requirements through to the end of the current five-year regulatory control period in March 2019.

Transport Scotland published *Scottish Ferry Services: Ferries Plan (2013-2022)* in December 2012 as a basis for the shape of all of Scotland's ferry services until 2022 and it underpins the development of the Vessel Replacement and Deployment Plan (VRDP) as it applies to the Clyde and Hebrides Ferry Services network. The VRDP is intended to complement the *Ferries Plan* by also considering historical and projected customer demand and the ongoing provision of capacity to meet that demand.

### **Asset management**

The Scottish trunk road network is estimated to have a construction value of £20 billion (April 2015 valuation), making it the highest value single asset for which Scottish Ministers are responsible. To provide the service that Scotland requires from the trunk road network, while at the same time providing best value for public money, we apply recognised best practice in asset management. Asset management practices include road user surveys (aiding our understanding of their concerns and priorities), tools and techniques for identifying and planning works that provide best value for money, procedures for assessing and mitigating risk, and tools and techniques for assessing the short (one to three year) and long term (up to 20 years) maintenance needs of the trunk road network. The *Road Asset Management Plan* (RAMP) is one of our key asset management documents which sets out the level of service we intend to provide on the trunk road network alongside the work and investment required to achieve this. It is used by us and our service provider staff to provide full visibility of trunk road management and maintenance activities and to drive continual improvement.

We are committed to the sharing of knowledge and experiences in implementing asset management with other local, national and international road authorities. We continue to work with partners to deliver the recommendations from the 2012 National Roads Maintenance Review which aims to improve the management and maintenance of Scotland's roads.

Network Rail continues to own and operate the railway infrastructure in Scotland within defined regulatory and control framework. The requirements of the Scottish Government for the current regulatory control period (CP5) were set out in the June 2012 High Level Output Specification. In summary, this required Network Rail to manage the railway assets in a way that supported a growing railway – carrying more passengers and more freight in a safe, reliable, efficient and environmentally sustainable way.

Working with Caledonian Maritime Assets Ltd, independent harbour trusts and the ferry operators, Transport Scotland is providing safe ferries, harbours and port infrastructure for operators, communities and users that support Scotland's lifeline ferry services.

Highland and Islands Airports Ltd is a public body wholly owned by the Scottish Ministers which operates and manages eleven Airports which are vital to the social



and economic welfare of the areas they serve. Its strategic plan informs its three year corporate plan and a one year operating plan. The Scottish Government acquired Glasgow Prestwick Airport in November 2013. Investment is provided in the form of interest bearing loan funding to assist the airport to return to profitability, to help cover operational requirements, essential backlog maintenance and ongoing repositioning capital.

NPF3 is clear that our five strategic airports act as international gateways to and from Scotland. Maintaining and enhancing air connectivity is essential for Scotland.

Scottish Canals is the public body which maintains and operates our canals. The canals are Scheduled Ancient Monuments, and have seen considerable regeneration over the past 15-20 years. They are not only navigation assets but also contribute a wide range of priorities, including housing, regeneration, water management and drainage, sustainable transport and tourism. We will continue to build on the benefits and value that these assets can bring to Scotland.

## **3.8 ENERGY AND ENERGY EFFICIENCY**

### **3.8.1 ENERGY**

#### **Objectives and purpose of investment**

Our approach to energy is an important contributor to our efforts to promote growth, tackle inequalities and deliver on our climate change ambitions, showing strong leadership in the transition to a low-carbon economy.

The Scottish Government has a well-established framework for energy policy including ambitious renewable targets, clear plans to boost energy efficiency and the most stretching emissions-reduction targets in the world.

The Scottish Government's policy on electricity generation is set out in the Electricity Generation Policy Statement, published in 2013. The objectives of the policy are to deliver:

- a secure source of electricity supply;
- at an affordable cost to consumers;
- which can be largely decarbonised by 2030; and
- which achieves the greatest possible economic benefit and competitive advantage for Scotland including opportunities for community ownership and community benefits.

The transition to a low carbon economy requires significant investment in energy infrastructure including power generation, energy transmission and distribution grids, energy storage, interconnection to facilitate international trade in energy and port infrastructure. However, the majority of capital infrastructure investment in these sectors is delivered by UK Government policies and paid for through Great Britain's consumers' energy bills.

## **Progress**

Over the last decade there has been notable consistency to the Scottish Government's approach to energy, leading to dramatic changes to Scotland's energy system.

- Scottish renewable electricity output has more than doubled since 2007 and now supplies half of the electricity consumed in Scotland;
- we have already met our 2020 target to install 500MW of community and locally owned renewable generation capacity;
- there has been unprecedented investment in the Scottish transmission network, permitting substantial flows of power to the rest of the UK;
- renewable heat output has increased; and
- there have been reductions in final energy demand in Scotland, driven by ongoing improvements to energy efficiency.

While energy remains a reserved issue, the Scottish Government's power to effect change in line with all the aims of the strategy is limited. So long as this is the case, the Scottish Government will continue to make representations to the UK Government on the most appropriate policy and regulatory environment for the development of the Scottish energy system.

## **Sector Plans**

### *Renewable Electricity Generation*

The Scottish Government helped to capitalise the Green Investment Bank (GIB) through a deal with Treasury using £103 million from the Fossil Fuel Levy account, held on behalf of Scottish Ministers by Ofgem. GIB announced in November 2015 that it committed £2.3 billion to 58 green infrastructure projects across the UK. Projects supported in Scotland include:

- £5 million funding in total is being made available (half from GIB and half from private investors) for funding energy efficiency projects in Scottish distilleries
- GIB has committed a Green Loan worth £6 million to Glasgow City Council to support its plans to convert 70,000 streetlights to low energy;
- £4 million for a programme of sewage heat recovery system installations across Scotland with SHARC Energy and Scottish Water. First development of its kind in Scotland.

Capital from the Fossil Fuel Levy account was also deployed by the Scottish Government to set up the Renewable Energy Investment Fund (REIF). To date around £45 million has been offered by REIF to support investments notably in community energy, marine energy, and innovative offshore wind. REIF support has been vital to the success of most major community energy projects commissioned in Scotland over the past three years, including the largest community-owned wind farm in the UK, (on Lewis) and early exemplars in the drive towards shared ownership between commercial developers and community groups - which is a policy priority under our Programme for Government. REIF also fills an identified funding gap for marine energy and is regarded by the European Union and other

member states as a model to emulate to lever in private sector support for that and other high-risk nascent technology sectors. To date REIF has achieved financial leverage of nearly two-to-one.

In addition to direct support for renewable electricity generation in Scotland, there are a range of processes which provide a wider supportive framework for development of renewables in Scotland; including Scottish Planning Policy (2014) which has a presumption in favour of sustainable development. The Scottish Government is also responsible for the consenting process for electricity generation over 50 MW, and for transmission infrastructure, and in setting the levels of Renewables Obligation Certificates (ROCs) in Scotland. The Renewables Obligation is due to close in 2017 (and a year earlier for onshore wind).

### Community and Local Energy

The Scottish Government has been supporting community energy for over a decade. We published our first Community Energy Policy Statement in September 2015, which profiles current activity and policy mechanisms, and sets a clear statement on the our ambition for the sector, including the benefits we want to see accrue from commercially-owned renewable schemes and our vision for a shift to local energy economies.

Comprehensive support is available under CARES and REIF, with over £50 million available under CARES and REIF for community and locally owned projects in 2015-16 alone.

In 2014, we launched the CARES Local Energy Challenge fund, with up to £20 million available for major demonstrator projects providing transformative innovative local energy solutions. Five projects were successful in the first round. A second round was announced in March 2015 in partnership with the Low Carbon Infrastructure Transition Programme, and £500,000 was awarded to support 23 projects at the early development stage.

Successful projects are at the cutting edge of innovation, and fit with our drive to create an energy policy focusing on a holistic, local energy system, which could stimulate economic renewal. Projects had to show collaborative working, innovation, and value for the local community. Value can be demonstrated by:

- linking local energy demand with local renewable energy generation
- overcoming barriers relating to grid capacity issues
- applying energy storage and active network management
- delivering renewable heat and electricity to local consumers
- encouraging local finance solutions

This approach will demonstrate community energy systems and will encourage further replication in other areas of Scotland.

In September 2015, we reached our target for community and locally owned renewable capacity of 500 MW by 2020, five years early. As at the end of September 2015, an estimated 508 MW of community and locally owned energy capacity was operational in Scotland. Our target, which has been independently

assessed, has the potential value of up to £2.2 billion to Scottish communities and local businesses over the lifetime of projects. We will review the target to make sure we don't lose momentum and our commitment to community energy remains undiminished.

Future policy support will be designed to encourage the growth of local energy economies, with community energy groups working in partnership with other local bodies, including businesses, to build local solutions to local energy needs.

#### Low Carbon Infrastructure Transition Programme

The £76 million Low Carbon Infrastructure Transition Programme (LCITP), supported by European Structural Funds was established in March 2015. The LCITP is a working partnership between Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Futures Trust and Resource Efficient Scotland to support over 100 low carbon infrastructure projects by 2018. It offers a range of support mechanisms including project development, expert advice and funding, to support the acceleration of projects to develop investment grade business cases allowing them to secure existing streams of public and private capital finance.

LCITP will also collate evidence on recurring barriers and challenges to project development and share this intelligence with investment communities to help with refinement of all parts of the system to support the transition to a low carbon economy. LCITP has already completed a call for Geothermal Energy Projects. This resulted in four projects being awarded total feasibility funding of £185,000. There is also currently a Water Source Heat Pump Challenge Fund running with funding of £2.3 million available subject to suitable projects coming forward.

#### Offshore Wind

With 25 per cent of Europe's offshore wind potential, the development of offshore wind in Scotland is an exciting opportunity both for Scotland's economy and climate change agenda. The Scottish Government is keen to maximise this potential and has granted planning consent for just over 4GW of development. Publication of *Scotland's Marine Atlas, Information for the National Marine Plan*, which assessed the condition of Scotland's Seas for the first time and will inform such scoping exercises for all offshore renewable developments in Scotland's seas in the future, such as the opportunity floating offshore wind could bring to Scotland. The introduction of an Enhanced Renewable Obligation Certificate scheme for test and demonstration and innovative floating structures, has acted as a catalyst to entice developers such as Statoil's Hywind pilot to our waters which will enable us to evaluate this technology viability for future commercial deployment.

#### Wave Energy Scotland

The Scottish Government is committed to supporting the development of both the wave and tidal energy sectors. We strengthened our support for the wave energy sector by creating Wave Energy Scotland (WES) in November 2014. This new body, unique in the UK, brings together the best engineering and academic minds to collaborate in a research and development programme to accelerate wave technology further.

WES has attracted global interest since its launch and has already awarded over £7 million to 16 technology innovators to develop the best power take-off systems for wave energy devices and over £2.25 million to eight technology developers and consortia for novel wave energy converters. Scottish organisations are involved in the majority of the projects, which is testament to the expertise existing in Scotland.

#### Low Carbon Technology and Innovation

In order to catalyse and accelerate Knowledge Exchange activity between academia and SMEs, increasing innovation, and advancing the development of the low carbon technologies, the Scottish Government has continued to co-fund the Energy Technology Partnership's (ETP) Knowledge Exchange Network for the financial year 2015-16. Other co-funders are ERDF, Scottish Funding Council, Scottish Enterprise and ETP Member Universities. The Scottish government is actively engaged with the ETP and co-funders to develop a comprehensive 3 year KEN II programme commencing 2016.

The Scottish European Green Energy Centre (SEGEC), part of Scottish Enterprise, has delivered €162.86 million in European funding since mid-2009, leveraging an additional €425.92 million of investment, primarily from the private sector. In total, SEGEC has supported over 75 projects seeking EU funding, helping Scottish partners to understand opportunities, make new partners in new markets and further develop their project concepts.

The SEGEC team covers all of Scotland and helps Scottish SMEs and potential inward investors secure EU grant funding for low carbon demonstration projects by identifying EU funding calls and matching them with Scottish and European partners and innovations. Its priority areas are integrated energy systems and offshore renewables.

#### Energy Grid Infrastructure

As Transmission Network Owners (TNOs) of Scotland's high voltage electricity transmission network, Scottish Power and SSE are responsible for maintaining and investing in transmission infrastructure in their respective areas. The low pressure gas distribution network infrastructure in Scotland is owned and operated by Scotia Gas Networks.

TNOs are regulated by Ofgem with regulatory policy set by the Department of Energy and Climate Change. In 2013 Ofgem introduced the "RIIO-T1 price control" that is set to run over an eight-year period from 1 April 2013 until 31 March 2021. Alongside ensuring a fair price for consumers, the new mechanism was expressly designed to secure investment to maintain a reliable and secure network, stimulate network innovation and encourage the TNOs to meet investment challenges arising from the transition to a low carbon economy. The price controls earmark around £7 billion of investment in the period for Scotland's high voltage network. This will deliver investment to replace ageing infrastructure and help to enable renewable energy to connect to the grid in areas where the resource is best.

A focus for the Scottish Government when working closely with Ofgem, DECC and the TNOs is to ensure development and reinforcement of the Scottish network is cost-effective, fit for purpose and that increases in Scottish network capacity

enables and supports the development of new renewable electricity generating capacity in Scotland.

Recent developments:

- Completion of the 400kv replacement Beaully-Denny power line designed to upgrade grid capacity in the area and support Scotland's onshore and offshore renewables potential.
- Caithness-Moray Firth subsea cable and on-shore substations in construction. This will have 800MW capacity on completion with potential to link to a future cable for Orkney and Shetland. It is a £1 billion project scheduled for completion in 2018.
- In 2013 National Grid and SP began construction on the £1 billion Western Link 'bootstrap' project. The project, including the construction of two converter stations, is expected to conclude in summer 2017. The new HDVC link will support the transmission of renewable energy in Scotland to England and Wales. SP report the link will increase Scotland's import and export capacity by 2.2GW.

#### Carbon Capture and Storage

Scotland's North Seas are the largest carbon storage resource in Europe and this coupled with our existing oil and gas capabilities, ready supply chain and existing pipeline and platform infrastructure means that Scotland is currently the best placed country in Europe to realise CCS on a commercial scale.

The Scottish Government supports Carbon Capture Storage (CCS) as a critical new technology that if implemented on a commercial scale could drive a significant reduction in carbon emissions from fossil fuels, increasing our security of supply, compliment future hydrogen infrastructure and present enormous supply chain and first-mover opportunities for Scotland.

The Committee on Climate Change (CCC) advice on UK's 5th Carbon Budget highlights that meeting the UK's 2050 emissions target is likely to require very low power sector emissions. The Committee says that carbon capture and storage is very important in meeting the 2050 emissions target at least cost. The International Energy Agency has estimated that by 2050, the cost of tackling climate change without CCS could be 70 per cent higher than with CCS.

However in November 2015, without consultation, the UK Government withdrew all funding for the £1 billion Carbon Capture and Storage (CCS) programme. This measure formed part of the autumn 2015 spending review. The Peterhead Carbon Capture Storage Project proposed by Shell and SSE was the frontrunner in this competition.

The detailed design studies for the Peterhead project were completed this year at a cost of around £50 million (funded by UK Government) and onshore planning consent was given by Aberdeen council in June 2015. Shell and SSE were on target to make a final investment decision on this project in December 2015 and the UK Government had planned to make the final investment decision in March 2016.

The Scottish Government's long held position regarding the UK's CCS Competition is that for a fully-developed CCS industry to flourish in the UK and Scotland we are going to need more than the projects in the competition. This means that we also need follow-on projects like Summit Power's Caledonia Clean Energy Project (a full-chain 570 MW CCS coal-gasification power station in Grangemouth) to be supported by the UK Government with a Contract for Difference.

In October 2015 the Scottish Government signed a grant offer letter of funding of £4.2 million for the Summit Power CCS project. The funding, £2.5 million from Scottish Government and £1.7 million from the UK Government, is allowing the Seattle-based Summit Power Group to undertake substantial industrial research and feasibility studies with the ultimate objective of designing, siting, financing, and building their proposed CCS Clean Energy Project in Grangemouth.

### Offshore Oil and Gas

A successful oil and gas sector will be a key component in the transition to a more resource efficient, lower carbon economy. Whilst this sector is currently facing a range of challenges, it continues to support employment opportunity across Scotland. At this challenging time, it is essential the correct policy framework is in place to support continued capital investment in the sector.

Like much of energy policy, offshore oil and gas policy is a matter reserved to Westminster. However, economic development matters are devolved and, therefore, the Scottish Government has a significant interest in the oil and gas supply chain and wider economic activities. As such, the Scottish Government retains a legitimate and significant interest in reserved matters relating to the North Sea oil and gas industry, such as fiscal and regulatory policy, given the direct effects this can have on the business base.

The North Sea oil and gas industry has undergone significant changes since 2011. At that time, it was reported that investment levels in the industry were increasing, with significant field developments being proposed. Accordingly, the period from 2011 to mid-2014 was characterised by record levels of investment, culminating in £14.8 billion being spent in 2014. However, during that time the industry was also characterised by a very tight labour market, rapid operating and capital cost inflation and poor production efficiency.

In June 2013, the UK Government commissioned Sir Ian Wood to conduct an independent review of oil and gas recovery from the North Sea. His recommendations were accepted by the UK Government and supported by the Scottish Government's own Independent Oil and Gas Commission. The Wood Review recommended UK Government follow a Maximising Economic Recovery strategy and the setting up of a well-resourced, arms-length regulator. The Oil and Gas Authority is now in place and is developing the MER-UK strategy, taking into account a recommendation of the Independent Oil and Gas Commission to consider wider Total Value Added from all North Sea oil and gas activities.

These activities gained even greater significance in summer 2014, with the global oil price dropping significantly to a 6 year low. This has exacerbated the issues

already being felt by the industry and has necessitated concerted action from all stakeholders.

The Scottish Government is doing all it can through devolved powers to help the industry during these challenging times. The First Minister set up the Energy Jobs Taskforce (EJTF) in January 2015. The EJTF is chaired by Lena Wilson (Chief Executive of Scottish Enterprise) and brings together the industry, Governments, the public sector and trade unions to help and support workers and families facing redundancy, but also to look at structural issues affecting the industry.

The Scottish Government believes there are still significant opportunities for the oil and gas industry and the wider supply chain. This is evidenced by the Oil and Gas UK Economic Report 2015, which estimates there are still up to 22 billion barrels of oil to be extracted from the North Sea. However, in order to secure this economic prize, the industry must be supported to ensure the required investment is secured.

The fiscal levers to do this are held by the UK Government and we have called on them repeatedly to consult with industry and other stakeholders on further measures to protect critical infrastructure, incentivise exploration and promote the most efficient operation of late life assets. This can only happen with the right fiscal and regulatory framework in place, which needs to be both fair and stable.

### **3.8.2 Energy Efficiency**

#### **Objectives and purpose of investment**

Our vision is to reduce overall energy demand in the system, and we will place actions to reduce demand at the centre of Scotland's new Energy Strategy.

Scotland's Energy Efficiency Programme (SEEP) will set a vision that achieves a substantive improvement to the energy efficiency of our building stock, investing in the majority of our existing buildings to make them fit for Scotland's low carbon future over the next 15 to 20 years. It will build on our existing successful energy efficiency programmes which are shaped around local delivery projects that meet the needs of business and communities. Through SEEP, we will:

- continue to provide support to households suffering from fuel poverty, helping to tackle inequality and improve broader outcomes such as health and wellbeing;
- seek to leverage in private investment to support the development of loan schemes to enable households and businesses to spread the upfront costs of investment in energy efficiency;
- take forward standards and introduce regulatory frameworks that give certainty to consumers and make it as easy as possible and the norm to invest in energy and heat efficiency;
- introduce for the first time multi-year funding which will give our delivery partners the certainty they need to deliver ambitious energy efficiency projects; and
- include the development of supply chains, education and awareness raising opportunities so that people value energy efficiency and look to make improvements



This delivery programme will help grow the economy and ensure long-term stability of energy efficiency funding and policy to give home and business owners, and our private sector partners, the certainty to invest in improving the energy efficiency of Scotland's buildings. Successful delivery of our ambitions on energy efficiency will mean that the majority of buildings across Scotland will have upgraded their fabric to make them easier to heat and more affordable to run. The exact measures that need to be installed must be determined at the building level, but are likely to include significant take up of wall and loft insulation, draught proofing and upgrades to heating systems and controls where they are appropriate.

Work to develop SEEP is underway and we will work with stakeholders over the next two years to set objectives and design the new programme to ensure it is tailored to Scotland's needs. We will pilot new and different models of delivery where industries and communities want them. It is important that the new programme achieves the necessary reduction in greenhouse gas emissions to help avoid dangerous climate change and so the programme and its targets must reflect and be developed alongside the RPP3. The new programme is now in its first phase, which involves delivering existing programmes more effectively, developing new pilot schemes and preparing for the effective implementation of the powers that are set to be devolved through the Scotland Act. The second phase of SEEP – a new integrated national programme to improve the energy efficiency of domestic and non-domestic buildings across Scotland drawing in public and private finance and acting in tandem with supporting activity on standard, regulation and behaviour change – will commence around 2018 when the new powers come into effect and we are able to tackle fuel poverty and enhance energy efficiency more comprehensively than ever before.

The Scottish Government sets the policy framework for spending on energy and heat efficiency in Scotland and provides financial support for key priorities across the domestic and non-domestic sectors, including the public sector estate. This spending helps leverage further investment in energy efficiency under the Energy Company Obligation and from householders, business owners, Local Authorities and social landlords.

The investment supports key actions to deliver on Scotland's world leading Climate Change targets, set out in statute in the Climate Change (Scotland) Act 2009 and will support actions to eradicate fuel poverty by November 2016 as far as is reasonably practical as required by the Housing (Scotland) Act 2001. Implementation of our approach to energy is set out in the Energy Efficiency Action Plan, the Renewable Heat Action Plan, the Heat Policy Statement and Scotland's Sustainable Housing Strategy.

## **Progress**

Since 2009 the energy efficiency of Scotland's homes, commercial properties and public sector estate has significantly improved driving a reduction in energy demand and greenhouse gas emissions. We have allocated over half a billion pounds on a raft of fuel poverty and energy efficiency programmes; nearly 1 in 3 households have installed energy efficiency measures, and over a third of homes now have an energy efficiency rating of category C or above – an increase of 56 per cent since 2010 and signifying that there are proportionately 60 per cent more homes with a good energy efficiency rating in Scotland than in England. We have also invested and recycled over £60 million since 2007 to support energy efficiency, district heating and renewables in programmes supporting businesses, the public sector and householders.

Despite our record levels of investment and the significant improvements in energy efficiency, above-inflation increases in energy prices have meant that more households (39 per cent in 2013) now fall within the definition of fuel poverty. Moreover, successive targets for greenhouse gas emission have been missed. We recognise that we must improve this situation.

District heating, is a core priority within the Scottish Government, and when appropriately sited and maintained, can result in affordable heat. A number of housing providers are using district heating along with wider energy efficiency measures to tackle fuel poverty. For example typical fuel costs to tenants receiving heat from Aberdeen Heat and Power reduced by up to 50 per cent over the previous heating system.

The main opportunity for large-scale heat networks is in our towns and cities where there is concentrated high heat demand, such as high density housing estates and campus sites such as universities, large hospital sites and industrial complexes.

A number of these projects represent a step change in the scale of district heating, located in major urban areas with significant potential for long-term development of integrated networks connecting households, public, commercial and industrial buildings and potential for future expansion.

Moving forward district heating will be an integral part of the considerations under energy efficiency as infrastructure investment priority and the development of SEEP

## Sector plans

The Scottish Government is committed to achieving greenhouse gas emissions reduction targets and to tackling fuel poverty. We support and encourage investment in heat and energy efficiency through the following strategies and policies:

- Scotland's Sustainable Housing Strategy outlines our framework for and approach to improving the energy efficiency of Scotland's housing stock. It includes ensuring that the right incentives are in place and supported by appropriate regulations and standards, as well as identifying actions to encourage wider behaviour change, in order to encourage investment in domestic energy efficiency;
- our Home Energy Efficiency Programmes for Scotland (HEEPS) were launched in April 2013 and use Scottish Government funding to lever in additional investment to tackle fuel poverty, reduce carbon emissions and support jobs. We invested £99 million in 2014/15 and we have made available £119 million in 2015/16. HEEPS includes area-based schemes delivered by local authorities and a national fuel poverty scheme – Warmer Homes Scotland – providing help to vulnerable households across Scotland. It also includes a low cost loan scheme to help with the upfront cost of investing in energy efficiency;
- we will continue to work with NHS Health Scotland and other national partners within the advice and fuel poverty sectors to develop new partnerships to improve collaborative working. This includes working on the development of an improved model of advice and support for the NHS to access for patients;
- energy efficiency, heat and low carbon revolving loans encouraging 'spend to save' energy demand reduction measures, district heating and lower carbon forms of heat for businesses, public and third sector organisations. We have invested and recycled over £60 million since 2007 to support Scottish households, businesses and organisations finance the implementation of energy efficiency and renewable measures and the development of district heating schemes;
- The Heat Network Partnership established by the Scottish Government in 2013, has developed a wide range of support for district heating projects including:
  - a local authority strategy programme to support the development of district heating strategies targeting opportunities that offer best value, and maximise delivery against for fuel poverty, carbon emissions reductions and economic development.
  - supporting project feasibility studies and options appraisals for potential district heating; Training sessions and practical guidance on delivering district heating projects and networks;
- establishing a non-domestic energy efficiency (NDEE) procurement framework for the Scottish public sector in 2015, which will facilitate investment of up to £300 million over the next 4 years; sustain around 2,400 jobs; and create energy cost savings of £30 million p.a. for the public sector; and

- a low carbon infrastructure programme (LCITP) with £76 million over the first three years, £33 million from ERDF. LCITP is a Scotland wide, cross-sector project development unit; and Develop Scotland's Energy Efficiency Programme, working with stakeholders over the next two years to set objectives and design the new programme to ensure it is tailored to Scotland's needs. Delivery is set to commence in 2018, subject to new powers over energy efficiency being devolved.

### **Delivery partners and structures**

To be successful every business and household will need to take action to improve their energy efficiency. In order to maximise the effectiveness and impact of our schemes we work with:

- local authorities, community organisations and advice providers to ensure they have the right resources and the capacity to deliver this ambitious new programme;
- SFT and private sector partners to create the right conditions for investing in energy efficiency to create new innovative funding mechanisms to help home and business owners overcome the upfront cost of investing in energy efficiency improvements; and
- the UK Government, including the Department of Energy and Climate Change and Ofgem, and the other devolved administrations to ensure that UK-wide schemes deliver maximum benefits in Scotland.

## **3.9 WATER**

### **Objectives and purpose of investment**

The Water Industry Commission for Scotland, Scottish Water's independent economic regulator, has confirmed that in the last regulatory period 2010-15 it outperformed its regulatory settlement, delivering more improvements for customers than demanded by Scottish Ministers and regulators. It now provides one of the best value for money water and sewerage services in the UK.

Our vision is a successful and high-performing Scottish Water – one that is good for customers; good for the environment; and good for our economy. Scottish Water has already signed up to deliver a £3.5 billion investment programme over the next six year period 2015-21 – a programme that supports our vision. This is to be achieved with charges reducing in real terms.

Improvements in Scotland's water and sewerage infrastructure are expressed as the Ministerial Directions to Scottish Water and cover the length of a regulatory period. The regulatory period is now 6 years. It was changed in response to requests from the industry, Scottish Water's supply chain and regulators to have a longer planning period and to align these with key legislative drivers of investment – the Water Framework and Flood Risk Management Directives in particular.

Investment plans are developed through the Quality and Standards process which facilitates better business planning and secures cost-effective compliance with

longer term legislative requirements. The Quality and Standards process brings together all of the main stakeholders in the water industry.

### **Progress**

In the last regulatory period, 2010-15, significant improvements were made. Some £2.5 billion was invested in the water and sewerage infrastructure. Key achievements include:

- a 31 per cent improvement in the standards of service provided to customers. Service levels are now comparable to the leading water companies in England and Wales;
- a 25 per cent reduction in leakage – enough to supply 600,000 households every day;
- additional capacity – new capacity was made available to serve new developments;
- improvements to the look, taste and quality of drinking water - 950,000 customers have benefitted; and
- improvements to 81 waste water treatment works to comply with existing licence requirements or to meet new and more stringent requirements.

The Water Industry Commission for Scotland, Scottish Water's independent economic regulator, published a report on Scottish Water's performance during the period 2010-15, which confirmed that during the period 2010-15, Scottish Water delivered the improvements required by Ministers for £122 million less than it was allowed. In addition, it provided higher levels of service than demanded – a monetary value has not been placed on this outperformance.

Since 1 April 2015, Scottish Water has started to deliver the improvements required for the period 2015-21. Quarterly monitoring reports are published by the Outputs Monitoring Group. These summarise the progress made by Scottish Water in delivering the improvements required and as set out in its Delivery Plan.

### **Sector plans**

Ministers have directed Scottish Water to deliver a defined set of improvements in the period 2015-21. The directions specify the required improvements to services and are underpinned by a list of outputs (also known as a Technical Expression). This list specifies the locations at which Scottish Water's regulators require improvements to be made. The list has been agreed with the key industry stakeholders, including SEPA and the Drinking Water Quality Regulator (DWQR).

During the 2015-2016 regulatory period, Scottish Water is taking forward thousands of projects – some small, others large and complex. Priority areas for investment include:

- **improving drinking water** – over £500 million will be invested in 2015-21 to improve and protect drinking water supplies. This includes upgrades to 26 supplies that do not comply with current standards, improvements to 71 supplies to improve reliability of drinking water quality, improvements to the resilience of supplies and tackling visible leakage (water running down the street).

- **improving the environment** – over £400 million will be invested in 2015-21 to protect and enhance our environment. The 2011 Plan identified that improving Glasgow’s drainage and sewerage network was a key priority. In the period 2010-15, a study was completed that has identified the improvements required. Work has begun and includes large projects to upgrade Dalmarnock and Daldowie Wastewater Treatment Works, upgrades to many parts of the sewerage network and the construction of the £100 million Shieldhall Tunnel which will address large-scale water quality problems in the River Clyde and its tributaries. This programme also includes upgrades to 20 small wastewater treatment works and a number of other improvements to meet a range legislative requirements.
- **reducing the risk of flooding** – some £170 million will be invested in reducing the risk of flooding from sewers. This is known to be a key priority for customers.
- **supporting economic growth** – over £200 million will be invested in providing additional capacity to support new housing developments and the domestic requirements of new business customers.

Given the length of the regulatory period and the likelihood that investment requirements will be identified following the completion of the many studies that are included for the early part of the programme, we have agreed that some flexibility is necessary. For this reason the 2015-21 investment programme will be updated on a rolling basis every three years. The next review is in 2018.

In building the investment programme for 2015-21, cognisance was taken of the lessons that were learnt during the 2006-10 period as described in the Output Monitoring Group’s report. Account has also been taken of those noted in the Output Monitoring Group’s recent on delivery in 2010-15. This report has identified that there is further scope for improvements in relation to:

- **Continuity of investment** – limiting the size of the programme and ensuring that project delivery is planned in a manner so as to avoid excessive peaks and troughs is key to delivering effective and efficient investment.
- **Improving monitoring arrangements** – ensuring that monitoring arrangements are transparent and link to Scottish Water’s Delivery Plan and to Ministerial Directions by using common categories and wording
- **Delivering Greater Innovation** - using innovative solutions to lessen the requirement for new investment and/or use of expensive treatment
- **Communications** – increasing efforts to communicate and engage with customers to explain how their actions can impact on water and sewerage services and why behavioural change would be beneficial.

### **Delivery partners and structures**

Scottish Water is a public corporation – accountable to Scottish Ministers and through them to the Scottish Parliament. It is mainly regulated by three independent regulators:

- **The Water Industry Commission for Scotland** – is the economic regulator and is responsible for determining customer charges necessary to deliver Ministers’ Objectives at the lowest overall reasonable cost.

- **Drinking Water Quality Regulator** – is responsible for ensuring that Scottish Water complies with drinking water quality regulations.
- **Scottish Environment Protection Agency** – is responsible for ensuring that Scottish Water complies with environmental legislation.

Scottish Water is also answerable to Consumer Advice Scotland and the Scottish Public Services Ombudsman.

Scottish Water will deliver its £3.5 billion programme with the assistance of its supply chain – through framework contracts and delivery partners. A number of contracts are in place reflecting Scottish Water’s need for specialist and local skills. Further details on its contracting arrangements are provided in its delivery Plan.

Scottish Water’s progress in delivering the improvements specified by Ministers is monitored by the Output Monitoring Group. This group was established by Ministers and brings together key water industry stakeholders. Its reports are published on the Scottish Government website.

### **Asset management**

The levels of customer service that Scottish Water must achieve are specified in the directions to Scottish Water. For the period 2015-21, Scottish Water will be expected to maintain upper quartile performance as compared with other UK water and sewerage providers. Ensuring adequate funding for capital maintenance is of key importance. Over the next six years, provision for capital maintenance will rise reflecting the need to maintain the increasing numbers of assets built or adopted by Scottish Water to meet more stringent quality standards. To achieve this level of performance Scottish Water will ensure that it has systems in place to monitor and manage the condition of its assets so that they remain fit for purpose.

Scottish Water is free to dispose of assets should these become redundant or no longer able to provide the levels of treatment demanded by legislation. Any sums generated from disposals are reinvested in new infrastructure. All disposals are made in accordance with the Scottish Public Finance Manual.

## **3.10 RURAL AFFAIRS, FOOD AND THE ENVIRONMENT**

### **Objectives and purpose of investment**

Investment in Scotland's Rural Affairs, Food and Environment portfolio is intended to create a more successful country with opportunities for communities, nature and our economy flourishing together through delivering sustainable economic growth, whilst increasing competitiveness and tackling inequality. In particular investment is designed so that it will:

- deliver the reformed Common Agricultural Policy (CAP) to obtain the best results for Scotland’s rural economy, environment and communities;
- continue support for the food and drink sectors to help sustain the dramatic increase in economic activity in recent years and provide impetus to Scotland’s journey to becoming a Good Food Nation;
- manage the transition to a more resource efficient, lower carbon economy (principally our focus on the circular economy);

- supporting employment and opportunity across Scotland: principally investment in areas such as the National Parks – providing employment, stimulating tourism growth and creating more opportunities for people to enjoy a healthier lifestyle – and investing in the National Forest Estate, including Forest Enterprise Scotland’s repositioning programme, aimed at increasing economic, social and environmental benefits of the Estate.
- improve environmental quality and attract investment and development through the Central Scotland Green Network (CSGN) which is a national development. As the biggest greenspace project in Europe, the CSGN has the potential to benefit 3.5 million people (around two thirds of Scotland’s population), and with 86 per cent of Scotland’s most deprived areas located within the CSGN area it has a vital role in tackling inequalities and strengthening communities by prioritising action in disadvantaged communities. It also delivers cross-portfolio benefits by developing active travel routes, supporting remediation of vacant and derelict land and promoting physical activity; and
- maximise sustainable development and economic growth within the marine sectors we oversee and through the devolution of the Crown Estate achieving greater control of Scotland’s assets.

Infrastructure investment is delivered through a number of bodies and programmes including the Scotland Rural Development Programme (SRDP), Forestry Commission Scotland and the Rural and Environment Research Programme.

### **Progress**

Since 2011 significant progress has been made, as set out below:

- as part of the Forestry Commission Scotland's repositioning programme over £48 million of assets have been sold, with the proceeds reinvested in acquiring land for woodland creation and subsequent planting;
- Forestry Commission Scotland has also invested £21.8 million in visitor facilities on Scotland’s National Forest Estate, benefiting the visitor economy and getting Scotland more active;
- The Rowett Institute merged with University of Aberdeen in July 2008 to become the Rowett Institute of Nutrition and Health, embedded within the College of Life Sciences and Medicine. The Scottish Government contributed £12 million towards the £40 million cost of a new building for the Institute at Foresterhill which is due to be open in early 2016;
- the capital investment in Scotland’s two National Parks recognises them as important ‘generators for growth’ in helping to create new employment opportunities and deliver fresh stimulus to their local economies. Since 2011 £8.6 million has been invested in a wide range of capital projects across both National Parks that have helped improve visitor infrastructure, support green tourism, and provide better recreational opportunities and community facilities;
- since October 2011 in excess of £200 million has been invested through the SRDP. Capital grants are being tightly targeted in order to make best use of the limited budget available. Grants are focussed towards those starting up in farming, crofters and small farmers, the food and drink sector, and the capital elements of environmental projects;



- the Scottish Government is undertaking a significant programme of work to re-engineer the business and IT processes which underpin the delivery of rural payments and inspections and to deliver the Common Agricultural Policy Reform, being implemented from 2015. This long-term programme of activities will deliver improvements to the services customers receive and comply with EU requirements in order to maintain our level of funding from EU; and
- £32.3 million of capital awards have been made through the European Fisheries Fund since 2011; this has enabled £83 million of investment to be made in support of the fisheries, aquaculture and fish processing sectors. The successor programme, the European Maritime and Fisheries Fund will bring an increase in funding for Scotland and further support employment at a national level whilst empowering rural economies through supporting activity planned and delivered at the local level.

## **Sector plans**

### Scottish Land Fund

The Programme for Government in 2014 made a commitment that we would increase the Scottish Land Fund to £10 million a year until 2020. It is aimed at funding and enabling communities to acquire assets and is administered jointly by BIG Lottery Scotland, and Highlands and Islands Enterprise. With the changes brought in through the Community Empowerment (Scotland) Act 2015, it will be available to communities across the whole of Scotland, where previously it was only available to rural communities.

### Waste and Circular Economy

Scotland is focusing on changing to a more circular economy where goods and materials are kept in use for as long as possible extracting the maximum value from them whilst in use. A circular economy is an alternative route to a traditional economic model of “make, use, dispose”. This means promoting redesign of goods and services, alongside greater reuse, repair, remanufacture and recycling, therefore, reducing our reliance on, and use of, new products and raw materials.

In 2013 Scotland produced 12.3 million tonnes of waste down from 13.2 million tonnes in 2011. Although progress is being made in reducing waste and recycling key materials, with less than 50 per cent of household waste being sent to landfill in 2014 the resource value of much of Scotland's waste remains untapped.

This shift will demand a change in infrastructure: new reprocessing facilities that can restore old products, parts and materials back into goods and commodities for the domestic or global market; more sophisticated material sorting facilities that ensure that the value of materials collected from business and households can be retained; and facilities to recover value, in the form of heat and electricity, from those materials that cannot be recycled.

As part of moving towards a low carbon, resilient circular economy there will need to be more closed-loop use of resources within the Scottish economy – both recyclable materials like metals and plastics as well as bio-resources like food waste and by-products. This will mean the development of domestic reprocessing

capacity. Scotland has already started on this journey with the development of organics reprocessing capacity - anaerobic digestion facilities that can reprocess food waste to produce energy and a sustainable fertiliser.

The Scottish Materials Brokerage Service was established in 2014 to improve the opportunity for investment in waste infrastructure. Working in areas covering non-recyclable waste, mixed recyclates and separate recyclates (starting with glass) the brokerage will bring together materials from the public sector to provide the scale to support investment in sorting and reprocessing.

#### Flood and coast protection

Funding for flood and coast protection is part of the local government capital settlement. The first ever round of flood risk management strategies will be published by Scottish Environment Protection Agency (SEPA) in December 2015. These will include a prioritised set of flood risk actions, e.g. flood protection schemes, and flood warning, for the period 2016-21.

#### Forestry Commission Scotland

The Scottish Government is committed to creating up to 10,000 hectares of new woodland each year as part of its climate change programme. The Scotland Rural Development Programme (SRDP) is the main mechanism for achieving this target. Since 2011, over £140 million has been invested through SRDP 2007-13 as capital grants and the new SRDP 2014-20 has improved grant rates and a structure aimed at further stimulating the level of woodland creation.

Other strategic investments include: Funding for assistance for modernising and diversifying farm, forestry and other rural businesses and improving food production and processing capacity through the Scotland Rural Development Programme.

#### **Delivery partners and structures**

The Scottish Government has a wide range of delivery partners for rural affairs, forestry and the natural environment. These include local authorities, the Scottish Environment Protection Agency (SEPA), Scottish Natural Heritage, the National Park Authorities, Zero Waste Scotland, the Crofting Commission, and Quality Meat Scotland.

#### **Asset management**

##### Forestry Commission Scotland

The Forestry Commission Scotland repositioning programme, currently approved to the end of 2015-16, targets those areas for disposal delivering least in terms of social and environmental benefits, whilst the properties acquired typically have some or all of the following characteristics that they be:

- capable of producing productive woodlands making a significant contribution to net carbon sequestration and the delivery of the Scottish Government's climate change targets;
- suitable for the creation of new native woodlands contributing to the delivery of native woodland Habitat Action Plans; or
- located near to centres of population and capable of contributing to the delivery of the *Woods In and Around Towns* initiative.

### 3.11 CULTURE AND HERITAGE

#### Objectives and purpose of investment

As a nation we treasure and are rightly proud of our cultural heritage and historic environment. Our vision is one in which we support the PfG and SES by ensuring that the culture and heritage sector in Scotland:

- continues to create high quality, diverse cultural works that support a stronger fairer Scotland, strengthening our place in the world. Scotland values its creative talent and provides opportunities for that talent to develop and thrive. Scotland's culture reaches a wide audience at home and abroad and the cultural sector's strength and resilience is increased;
- contributes to sustainable economic growth. Scotland's cultural and creative industries make a growing contribution to employment and economic output, the sector has increased capacity for innovation and competes effectively in UK and international markets. We maximise the opportunities our cultural resources and assets provide for our economy and future generations;
- ensures that our diverse and evolving cultural heritage thrives and is celebrated. Scotland's national and international collections and historic environment are cared for and enjoyed now and by future generations. Cultural heritage infrastructure is strengthened and we continue to expand digital and online capability, supporting delivery of efficient, high quality public services; and
- supports our people and communities to enjoy and engage in culture. Scotland's places have accessible opportunities to engage in culture and heritage, with engagement widened and sustained throughout lives. All children and young people are encouraged to, and have the chance to, engage in culture.

Participation in cultural activities delivers positive impact across a wide range of outcomes, including health and wellbeing, justice and education. Maintaining capital investment in the culture and heritage sector, which supports the continued delivery of these outcomes, remains strategically important and often successfully leverages significant additional investment from other sources across the public, private and third sectors.

Key priorities for investment will include capital funding for the new Historic Environment Scotland (HES) Properties in Care. Investment in the historic properties that HES cares for not only brings significant benefit to the Scottish economy through cultural tourism but also provides economic support to local areas through job creation and locally sourcing materials during construction and refurbishment projects and will assist in the achievement of Scotland's carbon reduction targets.

Investment will also be targeted to fund digital initiatives for the culture and heritage sector which support the expansion of on-line public access systems and expand the potential contribution and impact of our cultural assets, in many cases expanding their reach across the wider Scotland and internationally.

## **Progress**

Since 2011, there has been significant investment in this sector directly contributing to our overall purpose of sustainable economic growth, through cultural and heritage tourism and international promotion. Ongoing capital investment is required to maintain the offering in a competitive and demanding market.

The most significant investment since 2011 has been the ongoing development of the V&A Dundee, where our capital commitment is £25 million towards this iconic £80 million development, which also supports the regeneration of Dundee Waterfront. As the anchor development for the Dundee waterfront regeneration, V&A at Dundee will act as a catalyst for a significant proportion of the enhancements to the local area and wider city. Its delivery is expected to result in a number of tangible and intangible benefits, including the creation of a new sense of civic pride across the city; the attraction of additional investment to the city, the wider region and Scotland; whilst also supporting social inclusion.

We have also been significant funding partners for projects undertaken by the National Performing Companies, in conjunction with Glasgow City Council, at the Glasgow Royal Concert Hall and the Theatre Royal, which have delivered world class rehearsal and performance space, and learning and engagement spaces which stimulate engagement with a wide variety of communities and the welcoming of schools and community groups into their buildings for exciting and unique music-making experiences, which will be, among other things, aligned to the Curriculum for Excellence.

Current projects include contribution to the redevelopment of Kelvinhall in Glasgow, a major refurbishment project in conjunction with Glasgow Life and the Hunterian Museum, which will see the National Library's Scottish Screen Archive become much more accessible for the Scottish public.

We are also providing £5 million for Historic Environment Scotland's Engine Shed project in Stirling - to help and sustain the skills we need to secure the future of Scotland's historic environment. This sector contributes more than £2.3 billion to the economy and supports around 41,000 jobs.

Also completed within the period is a new £11 million storage and conservation facility at National Museums Scotland's Granton Collections Centre, through which provision NMS has been able to release sites at Port Edgar and Leith Customs House, consolidating its operations and decreasing the ongoing repairs and maintenance bill.

## **Sector plans**

Our priorities for investment focus mainly on maintaining and enhancing the cultural and historic estate, both in terms of securing our national collections and maintaining the estate and completing existing projects. Examples are also given below of the pipeline of projects that will continue to be developed into 2016 and beyond.

We will continue to contribute to:

- economic growth, for example through completing our £25 million capital commitment to the V&A at Dundee project. This ambitious project has great potential to boost the Dundee Waterfront regeneration project, cultural tourism and our capacity to design through innovation;
- the development of skills for young people through investment from the Young Scots Fund with the completion of the Engine Shed project;
- efficient use of public resources through addressing storage requirements across our national cultural and heritage bodies and renewing important assets through tackling maintenance priorities. Protecting the nation's collections in effective storage and maintenance of the estate is important for their future use in exhibitions, education and research and, equally importantly the efficient storage of these is critical in underpinning the bodies' ability to bring exhibitions out to museums and galleries across Scotland through touring, which the National Galleries have done very successfully with Artists Rooms. Specific projects include completion of the major Causewayside building refurbishment for the National Library and addressing the National Records of Scotland's continuing need to maintain Scotland's archives;
- delivery of improved public facilities including further new investment at the Scottish National Gallery and enhanced digital access to collections; and
- widening and increasing engagement in culture through direct investment in public-facing projects where significant national or international impact can be stimulated.

### **Delivery partners and structures**

Priority projects in the culture and heritage sector are generally managed by our delivery partners (core-funded bodies) through the award of grant and grant-in-aid, rather than direct delivery by the Scottish Government.

Other projects in this sector often comprise mixed finance packages, including in many cases substantial fundraising by the relevant bodies. For example, the V&A project in Dundee is a collaboration among several partners, including universities, the City Council and Scottish Enterprise as well as the V&A in London. This project is led by Dundee City Council with the capital cost being met through contributions from Scottish Government, Heritage Lottery Fund, Creative Scotland and Dundee City Council, £15 million targeted by way of private fundraising and philanthropy and finally through an application for access to Growth Accelerator Funding as part of the wider Dundee Waterfront Regeneration Project.

### **Asset management**

The cultural and heritage sector depends on the quality and range of its assets, both physical and digital. To maintain visitor numbers and international reputation these assets need to be of high quality and a magnet for the twenty first century visitor. This is why our Sector Plans focus on both the longer term priority of maintaining and renewing the historic estate under Historic Environment Scotland and maximising the scope for essential maintenance to help provide the cultural bodies with a sustainable environment from which to take up new opportunities.

Plans continue to be developed for addressing these issues in a strategic and efficient way, with a focus on opportunities for rationalisation and sharing.

### **3.12 JUSTICE**

#### **Objectives and purpose of investment**

Investment in justice aims to help communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.

Our vision is of a justice system that contributes positively to a flourishing Scotland, helping to create an inclusive and respectful society in which all people and communities live in safety and security, where individual and collective rights are supported, and where disputes are resolved fairly and swiftly. The justice system plays a key role in tackling inequality, growing the economy and reflecting the views and priorities of local communities.

The justice portfolio includes the administration of criminal justice and civil law, operation of the courts, provision of legal aid and liaison with the legal profession. It also covers the operation of the police, prison and fire services and an overview of preparations for potential civil emergencies.

Specifically, such investment will:

- support maintenance and improve capacity across our prisons, courts and emergency response estate;
- help to modernise the delivery of criminal, civil and administrative justice services through the use of digital technology;
- contribute, along with other portfolios, to ensuring that Scotland has the resilience to respond to natural or man-made crises;
- improve the condition, quality and capability of existing facilities to ensure they are more resource efficient, contributing to a lower carbon economy;
- deliver new, and strengthen existing assets, that strengthen Scotland's ability to tackle and respond to crime, fire, and other emergency incidents;
- support economic growth by investing across the country and supporting construction, engineering and other public safety sector supporting jobs; and
- continue to support the delivery of high quality public services, for example through continued support for the reform of the police and fire services, which will help to drive out significant savings in the medium and longer term and deliver improved outcomes to the public.

#### **Progress**

##### Prisons

The Scottish prison estate has been modernised and improved in recent years, with the completion of HMP Shotts (Phase 2) in 2012 and HMP Grampian in 2014. HMP Grampian provides the first custom built community facing prison in Scotland, including a unit for women offenders.

The Cabinet Secretary for Justice announced in January 2015 the decision not to proceed with previous proposals for a large new prison for female offenders in

Inverclyde, as this did not fit with the Scottish Government's vision for meeting the needs of female prisoners and reducing female offending. In June 2015, the Cabinet Secretary confirmed proposals to build a new 80-place prison at the Cornton Vale site, near Stirling, and five community custody units, each accommodating up to 20 women, at various locations around Scotland. Work to identify the final locations for the community units is proceeding in dialogue with local partners.

A feasibility study is currently being progressed on a potential site for HMP Highland, to ascertain if it would provide a viable option as a replacement for the current HMP Inverness, and discussions are ongoing with the site owners. Work to identify suitable potential sites for a replacement for HMP Glasgow is also ongoing.

### Courts

The Scottish Courts and Tribunals Service (SCTS) (prior to 2015-16, the separate Scottish Court Service and Scottish Tribunals Service) has continued to invest in essential maintenance of its court and tribunal estate, including providing new court and jury facilities within existing buildings and improved energy efficiency.

The SCTS has been exploring with key partners the potential development of a new collaborative Justice Centre model, combining courts with other justice and support services, in locations across Scotland.

The SCTS has invested in necessary upgrading of court-based ICT, including the development of a new civil case management system.

### The Scottish Crime Campus at Gartcosh

Completed in 2014 at a capital cost of £73 million the Scottish Crime Campus supports the Serious Organised Crime strategy's aim to reduce the harm caused by serious organised crime and embed a multi-agency approach to deterring, detecting, disrupting and diverting from serious organised crime, as well as the UK CONTEST strategy for countering terrorism. The Campus co-locates the five main agencies involved in leading the implementation of the Serious Organised Crime strategy and a range of counter-terrorism resources.

Reducing the harm caused by serious organised crime has a positive impact on disadvantaged communities which are disproportionately affected by criminal activity and by businesses run by crime groups. The outcomes of the strategy will help to reduce inequalities and create a level playing field for legitimate enterprises. The Campus itself facilitates effective collaborative working between different public agencies: Police Scotland, Crown Office, National Crime Agency, HMRC and Scottish Police Authority Forensic Services.

The Campus has been fully operational since April 2014 and is delivering benefits in terms of increased co-ordination of law enforcement activity, joint planning and tasking, information-sharing and joint operations. In addition to the five main partner organisations in the Campus another 10-12 organisations have seconded staff there to enhance the effectiveness of activity to address serious organised crime and terrorism.

### *A new West of Scotland Policing Hub at Dalmarnock*

The purchase and fit out capital cost of the new west of Scotland policing hub at Dalmarnock was £10.76 million. The rationale for the facility being based in the west is the significant level of policing demands falling to Local Policing West Command. Creation of a hub allows the provision of additional support more readily. Particular functions located are: the Alcohol and Violence Reduction Task Force, the Football Co-ordination Unit, the Public Protection Unit and Emergency, Events and Resilience Planning Units. In addition, it is planned to incorporate a Strategic Coordination Centre into the building, to improve co-ordination between emergency services and local authorities and enhance the capability in dealing with major events. The location also compliments the Scottish Crime Campus nearby at Gartcosh, and will ease liaison between the various police activities in the West of Scotland.

The choice of placing a significant police facility in Dalmarnock supports the Scottish Government's Regeneration Strategy and, in particular, the ongoing investment in Clyde Gateway's regeneration plans. It is also a visible demonstration of Scottish Ministers' commitment to the legacy of the Commonwealth Games. For Police Scotland, the move to Dalmarnock is consistent with the rationalisation of the Police Scotland estate as set out in its Estates Strategy.

### *Reform of Police and Fire*

The reform of police and fire services is delivering the following benefits: protecting and improving local services, despite financial cuts, by stopping duplication of support services and not cutting the frontline; creating more equal access to specialist support and national capacity where and when it is needed; and strengthening the connection between police and fire services and local communities.

To assist with the transition to the new single services, reform budgets for police and fire were established to meet the additional costs of bringing the services together including investment in major ICT projects.

### *Scottish Police Authority/Police Scotland - Capital Grant*

Capital investment has been used to establish and progress the infrastructure of the new single service. Police Scotland has developed an Estates Strategy and ICT, Fleet and Procurement Strategies are being progressed. These will impact on future major infrastructure investment proposals/plans necessary to support the continued delivery of an effective and efficient service to our communities across Scotland.

Capital grant investment has and will continue to focus on the following areas.

- **ICT** – i6, C3, ICT Blueprint;
- **Fleet** – Rolling replacement of the fleet transport;
- **Building Works** – Custody suite upgrades as required by the Criminal Justice Bill; and
- **Other** – Forensics and other new projects to upgrade and enhance service delivery.



### SFRS Capital Grant

The Scottish Fire and Rescue Service (SFRS) was created in 2013, following the merger of the eight former fire and rescue services.

Capital investment has been used to establish the infrastructure of the new single service by supporting the delivery of a range of SFRS key strategies including Property, Specialist Resources, Environment, and Digital, to most effectively serve the communities of Scotland.

More specifically, in relation to maintaining and enhancing community and fire fighter safety the SFRS capital grant has been invested in the following priority areas which are essential for maintaining and enhancing community and fire fighter safety:

- frontline fleet, which is central to the SFRS emergency response capability;
- training facilities, adopting a Scotland-wide approach, to enable fire fighters to develop and maintain the wide range of skills and capabilities required of them in a modern fire and rescue service;
- standardisation of operational equipment across Scotland; and
- new ways of working and new technologies including a new command and control system and modern asset resource centres.

The SFRS will continue to prioritise asset performance standards, and will continue to work with partners to ensure the maximum possible public value from capital investments.

### Emergency Services Telecoms

The Firelink system, delivered under a GB-wide PFI contract, is fully in-service and is now due to remain in place until 2019. In accordance with EU Procurement Law and taking account of developments in the telecommunications market, work is underway to identify appropriate options for procurement of a successor system.

## **Sector plans**

### Police

Police Scotland has developed an Estates Strategy and this may impact on future infrastructure investment proposals and plans.

### Fire

The SFRS is in the process of rationalising its estate and this may impact on future infrastructure plans - there is a requirement for an accommodation block to enhance the SFRS national training centre at Cambuslang. SFRS will look to continue its investment in: maintaining and enhancing community and fire fighter safety; the infrastructure of the SFRS; and maintaining acceptable standards for fleet and property.

### Prisons

The SPS will continue to modernise and improve the prison estate, and will look to draw on lessons from the development of new community facilities for female offenders. The SPS will also look at the needs of an increasing population of older and frail prisoners. Following progress with the new prison for female offenders, as well as HMP Highland and HMP Glasgow, consideration will be given to HMP Greenock and HMP Dumfries.

### Courts

The SCTS will develop with key partners a new Justice Centre in Inverness, replacing the existing Inverness Sheriff Court and freeing up the historic Inverness Castle building for other potential uses. The Justice Centre model would bring together justice services in modern, accessible purpose-built facilities, alongside partner organisations including social work, victim and witness support.

### Justice Digital Strategy

The Scottish Government and Justice agencies published the *Digital Strategy for Justice in Scotland* (August 2014), setting out a bold vision for how digital technology will transform the way in which justice services are delivered in the civil, criminal and administrative justice systems in Scotland. This will build on the positive developments that have been delivered in for example, on-line applications and payments and the use of video links for appeals and hearings.

### The Emergency Services Mobile Communications Programme (ESMCP)

ESMCP is the planned replacement for Airwave for the emergency services. Currently, Emergency Services in Scotland and the rest of Great Britain utilise mobile radio communications capability. In 2020 the Airwave contracts expire and will be replaced with ESMCP. The ESMCP is a Home Office led programme and is jointly sponsored by four other UK Government Departments, including the Scottish Government. ESMCP is predicting the GB wide 15 year cost to be around £4.9 billion. Scotland's share will be around 10 per cent, alongside the ongoing costs for the existing Airwave system for the first four years of the programme.

### **Delivery partners and structures**

Scotland's justice system and justice agencies rely on a vital set of key infrastructure, including police and fire facilities and specialist equipment, courts, prisons and digital technologies. The Scottish Government works with its core delivery partners across the Justice portfolio - SPS, SCTS, SFRS, SPA, and Police Scotland. Projects are delivered by these organisations through their grant-in-aid funding, rather than through direct delivery by the Scottish Government.

To maximise the value of the investment our justice delivery partners work with a range of stakeholders including, Scottish Government, local authorities, community planning partnerships, and the Scottish Futures Trust. The SPA, Police Scotland and SFRS are actively looking for opportunities to work together, as well as with other potential partners, to ensure best value from infrastructure investments.

There are positive examples of joint use of resources, such as the West Lothian Civic Centre, in Livingston, which brings together accommodation for Police, Fire, Courts, Crown Office, Children's Reporter, local authority and the local Health and

Care Partnership, assisting efficiency and joint working. The Scottish Courts and Tribunals Service is engaging with local partners to test the potential for further local Justice centres in a number of locations across Scotland.

The Emergency Services Mobile Communications Programme (ESMCP) is a partnership procurement initiative, seeking to provide next-generation telecommunications capability for the Emergency Services. The programme – which is co-funded by the Scottish Government, the Welsh Government and three Departments of the UK Government – is hosted by the Home Office. The Emergency Services Network (ESN) will involve a number of contractors, with its Home Office-based Management Team acting as prime contractor and system integrator.

### **Asset management**

Our Justice delivery partners keep their asset management plans under review – including the options to rationalise their estates and to dispose of surplus assets. Working through the Justice Board the portfolio seeks to deliver best use of assets and investments to ensure maximum value for public money.

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# ANNEX A: PROJECTED PROJECT PIPELINE

## PROJECTED PROJECT PIPELINE

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>TRANSPORT</u></b>					
<b>Forth Replacement Crossing Project</b>  Construction of replacement crossing over the Firth of Forth, including network linkages.	£1.325-£1.35 billion	Currently in construction.  Operational by December 2016.	The principal contract was awarded in April 2011.	Provides continuation of a key linkage for the economy of the whole of Scotland, particularly Edinburgh, the Lothian's and Fife, ensuring access to employment and supporting sustainable communities and Scotland's vital tourist industry.	Capital funded.  Fully funded by Scottish Government.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>A90 Aberdeen Western Peripheral Route / Balmedie-Tipperty</b></p> <p>Road scheme with two major constitution elements, the 46km AWPR and the 9.5km A90 Balmedie-Tipperty.</p>	£745 million	<p>Currently in construction.</p> <p>Operational by end of 2017.</p>	<p>The NPD contract to design, build, finance and operate the scheme was awarded in December 2014.</p>	<p>Key objectives for Scotland's economy include protecting the opportunities for our largest cities to flourish.</p> <p>Ministers have committed to improvements to Haudagain Roundabout following completion of the AWPR.</p>	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Capital funded by Scottish Government, Aberdeen City Council and Aberdeenshire Council. Scottish Government is responsible for all NPD payments.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>M8 M73 M74 Motorway Improvements Project</b></p> <p>Project will complete the Central Scotland motorway network, with benefits including reduced congestion and safer, quicker journeys.</p>	£439 million	<p>Currently in construction.</p> <p>Operational by end of April 2017.</p>	The NPD contract to design, build, finance and operate the scheme was awarded in February 2014.	Key objectives for Scotland's economy include protecting the opportunities for our two largest cities to flourish.	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>
<p><b>A9 Dualling: Kincaig to Dalraddy</b></p> <p>The first stretch of the A9 dualling programme comprising a 7.5km stretch of dual carriageway to the south of Aviemore.</p>	£45 million	<p>Currently in construction.</p> <p>Operational by end of June 2017.</p>	Construction contract awarded in June 2015.	First stage in the A9 Programme which supports the objectives for Scotland's economy including protecting the opportunities for all our cities to flourish.	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>A77 Maybole Bypass</b></p> <p>The project involves the construction of a new off-line bypass approx. 5km in length to the west of the town of Maybole.</p>	To be confirmed	Currently in preparation with a view to making Orders early in 2016.	Construction will require funding to be confirmed in future Spending Reviews.	Key objective of maintaining the links to the Irish Sea ports at Cairnryan and improving the quality of life within the town of Maybole.	Capital funded.  Fully funded by Scottish Government.
<p><b>A737 Dalry Bypass</b></p> <p>The construction of a new off-line bypass approx. 3.7km in length to the east of Dalry.</p>	£51 million	Currently in preparation with a view to making Orders by the end of 2015.	Construction will require funding to be confirmed in future Spending Reviews.	Key objective of addressing key points on the strategic network.	Capital funded.  Fully funded by Scottish Government.
<p><b>A90/A96 Haudagain Junction Improvement</b></p> <p>Improvements to the A90/A96 Haudagain Roundabout to reduce congestion and improve journey time reliability.</p>	£45.3 million	Currently in preparation	Planned to begin construction following the completion of the AWPR (see AWPR above).	Key objectives for Scotland's economy include protecting the opportunities for all our cities to flourish.	Capital funded.  Fully funded by Scottish Government.



Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>A9 / A96 Dual-carriageway</b></p> <p>Phased improvements to the existing A9 (Perth to Inverness).</p> <p>Improvements of the A96 between Inverness and Nairn (including the Nairn Bypass).</p> <p>Phased improvements to the existing A96 (Inverness to Aberdeen).</p>	<p>Initially estimated in the range £1.5-£3 billion</p>	<p>First Phase of construction started with Kincaig – Dalraddy September 2015.</p> <p>Planned to commence statutory process in 2016 with delivery following completion of statutory consent.</p> <p>Preparatory work under way with phased programme of schemes over period to 2030.</p>	<p>Phased programme of improvements.</p>	<p>The sustainable economic growth of Scotland needs the strategic transport network to be available for workers and employers to access those areas where employment can grow, provide efficient access to markets and ensure inward investment opportunities are captured.</p>	<p>First phase capital funded. It is expected that proposed options will be considered as part of the Spending Review.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>A876 Kincardine Refurbishment</b></p> <p>Refurbishment and essential repair of existing structure.</p>	<p>£15-£20 million</p>	<p>Currently in preparation.</p>	<p>Program to be developed. Currently revisiting feasibility.</p>	<p>Key objective to approve strategic trunk road network bridge maintenance.</p>	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>
<p><b>A82 Improvements</b></p>	<p>Initial estimates £250-£500 million</p>	<p>Beyond 2017 as funding becomes available.</p>	<p>A programme of short and medium term measures that recognise the difficult engineering challenges in this area are currently being developed.</p>	<p>Continue the effective operation of the A82 in supporting the economy of the western Highlands and Islands.</p>	<p>Capital funded</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Edinburgh – Glasgow Rail Improvements</b> Improvements increase capacity and reduce journey times. Electrification further helps reduce emissions within the corridor.</p>	£742 million	<p>Currently in construction.</p> <p>Operational by end of March 2019.</p>	<p>In design development and construction for various parts of programme.</p> <ul style="list-style-type: none"> <li>• December 2013 - £25 million redevelopment of Haymarket Station officially opened.</li> <li>• May 2014 - Cumbernauld Electrification Complete.</li> <li>• December 2016 - Electrification of Edinburgh-Glasgow route.</li> <li>• December 2018 - Introduction of 8 car service on 42 min timetable.</li> <li>• March 2019 - Redevelopment of Queen Street Station to complete.</li> </ul>	<p>Key objectives for Scotland's economy include protecting the opportunities for our two largest cities to flourish. This measure provides sustainable mode choices for both commuters and business travellers between the cities, and on their suburban networks, widening the coverage of the electrified railway and reducing travel times whilst increasing capacity.</p> <p>Delivery of the many individual schemes that make up the overall programme will require the use of locally based labour, protecting employment and jobs in the rail and civil engineering sector.</p>	<p>Revenue funded – RAB and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>High Speed Rail</b></p> <p>The HS2 scheme currently proposed includes London, Birmingham, (Phase 1) and Leeds, Manchester (Phase 2).</p> <p>There is not yet any commitment to extend HS2 into Scotland.</p>	To be defined.	<p>To be defined (lines to Birmingham by 2026 and to Manchester and Leeds by 2033).</p> <p>Work on a Broad Options Study for bringing high speed rail to Scotland is expected to be completed by December 2015.</p>	To be defined.	Economic and environmental benefits to Scotland.	To be confirmed

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Glasgow Terminal Stations</b> (West of Scotland Strategic Rail Enhancements)</p> <p>Capacity improvements to allow continued growth in rail travel into Glasgow as well as protect the longer term delivery of High Speed Rail.</p>	<p>STPR estimate in range £1.3-£3 billion</p>	<p>Beyond 2019</p>	<p>To be determined once scheme developed.</p>	<p>Railways in Scotland perform a vital function in providing for commuter traffic into our largest cities, providing the means to transport freight around not only Scotland but further and, through increasing electrification, making a real contribution to our climate change commitments.</p>	<p>To be confirmed</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b>Aberdeen – Central Belt Rail Improvements</b>	Total in STPR in range £250-600 million	Phased programme until 2030. Phase One started in 2014 and will set the foundations for longer term improvements beyond 2019.	Delivery of a programme of infrastructure improvements to deliver journey time reductions of up to 20 minutes, an hourly service between Aberdeen to Glasgow and Aberdeen to Edinburgh, enhanced services along the route.	Programme links to encouraging a modal shift for both passenger and freight by 2030.	Mixture of RAB and capital funding.
<b>Aberdeen – Inverness Rail Improvements</b>	STPR range of £250-500 million	Phased programme over period 2014 to 2030. Phase One of the programme is scheduled to reach completion by 2019 with agreed investment of £170 million.	Comprehensive programme of improvements to the railway infrastructure in the North East of Scotland.	Shorter journey times, the introduction of high speed trains from summer 2018, and increased service provision will deliver enhanced connectivity, connecting more people with places of work thereby providing a major boost to the wealth of Scotland and its long term economic sustainability.	Mixture of RAB and capital funding.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Highland Main Line</b></p> <p>Upgrading the Highland Main Line between Perth and Inverness by adding passing loops and increasing line speeds.</p>	<p>£250-£600 million</p>	<p>Phased programme over period to 2025.</p>	<p>Comprehensive programme of improvements to the network between Inverness and Perth, and onwards to the central belt.</p>	<p>Shorter journey times, the introduction of high speed trains from summer 2018, and increased service provision will deliver greater connectivity for both passenger and freight services operating on this important corridor, providing a major boost to the wealth of Scotland and its long term economic sustainability.</p> <p>Phase Two of the project is scheduled to be delivered between 2014 – 2019.</p>	<p>Mixture of RAB and capital funding.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Glasgow Subway Modernisation</b></p> <p>Major modernisation includes a smartcard ticketing system linked to wider integrated ticketing; new rolling stock and signalling; refurbished stations with improved accessibility including replacing escalators.</p>	£246 million	Ongoing programme of work.	This is being delivered through an ongoing programme of work and projects.	The Subway forms a key part of the travel to work options for the city, and a meaningful reduction in the number of trips made by less sustainable means. The modernisation protects this form of travel, continues to offer real choices, and the opportunity for employment in undertaking the modernisation for workers in the west of Scotland.	Mixture of private sector borrowing by Strathclyde Partnership for Transport (SPT), SPT's subway modernisation fund, potentially ERDF and Scottish Government capital grant.



Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>CMAL - Two new 100 metre Ferries</b></p> <p>Two new 100 metre ferries are being designed to provide year round service to the Isle of Arran and the Uig Triangle. (Uig - Tarbert - Lochmaddy)</p>	£97 million	<p>Currently in construction.</p> <p>Operational by July 2017.</p>	Contract awarded in October 2015.	Maintains ferry services between island communities and the mainland ensuring the economic, social and cultural wellbeing and survival of these communities.	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>
<p><b>Ferry and Harbour projects</b></p> <p>A programme of new vessels and harbour works undertaken by CMAL and independent harbour trusts to maintain the safe and efficient operation of the internal ferries network.</p>	£400 million	To 2022		Maintains ferry services between island communities and the mainland ensuring the economic, social and cultural wellbeing and survival of these communities. This can include direct access to jobs and, in the case of smaller islands, to services such as health and education.	Combination of Transport Scotland capital grants and loans, investment by CMAL and independent harbour trusts and revenue funding options including operating leases.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Low Emission Vehicles</b></p> <p>Continued provision of infrastructure to support the widespread adoption of low emission vehicles</p>	TBC	Up to 2027	<p>To meet the commitments in <i>Switched On Scotland</i> and the 2<sup>nd</sup> Report on Policies and Proposals (RPP2).</p> <p>Includes further development of the ChargePlace Scotland network of EV charging points and support for the rollout of hydrogen refuelling infrastructure</p>	Schemes and measures to meet commitments contained in <i>Switched On Scotland</i> and RPP2 to almost completely decarbonise road transport by 2050.	Mixture of capital and financial transactions funding.
<p><b>Active Transport (Walking and Cycling)</b></p> <p>Improvements to and extension of the network of walking and cycling paths and associated infrastructure.</p>	TBC	Up to 2022	to meet the commitments in the CAPS, NWS, NPF3, and RRP2.	Schemes to meet active travel commitments to increase number of journeys undertaken by walking and cycling - contributing to improved health and lower carbon emissions.	Capital funded.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Maintaining accessibility for all</b></p> <p>Support the infrastructure necessary to ensure that ferry, lifeline air and inland waterway journeys can continue.</p>		Ongoing programme of investment	The delivery of these services is subject to regular competitive tender and provides employment for workers across Scotland.	Offering real mode choices is critical to achieving the purpose of sustainable economic growth, particularly across the diverse geography of Scotland.	Capital funded.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>DIGITAL</u></b>					
<p><b>Digital Scotland Superfast Broadband (DSSB) Programme</b></p> <p>Investment in fibre broadband to deliver (alongside commercial coverage) to 85 per cent of home and businesses by end 2015 and 95 per cent by end 2017.</p>	£410 million	2013 to 2017-18	<p>Contracts awarded to BT for two projects - covering Highlands and Islands and rest of Scotland. To date, DSSB has connected over 475,000 homes and businesses across Scotland from a total target of around 750,000. On average, the programme is connecting 7,000 new homes and businesses every week. The programme met its target of providing access to 85 per cent of homes and businesses across Scotland, alongside commercial coverage, by June 2015.</p>	<p>Availability of fibre broadband connectivity is critical to Scotland's future. Such connectivity will support future innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment. It will help the transition to a low carbon economy. It will drive rural economic growth and competitiveness, creating more and better jobs and opening up new and respects and protects our environment.</p>	<p>Capital funded.</p> <p>Funded by Scottish Government, UK Government, European Regional Development Fund, Highlands and Islands Enterprise and Local Authorities.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Community Broadband Scotland (CBS)</b></p> <p><b>A programme to support community-led projects in areas least likely to benefit from a superfast broadband solution under the DSSB programme.</b></p>	£16.5 million	2012 to 2018	<p>Delivered by Highlands and Islands Enterprise across the whole of Scotland. CBS is currently supporting 90 pipeline community organisations through project development and has approved grant funding for 62 projects with a value of over £2.4 million. A total of 13 community broadband projects are now building or delivering broadband services covering over 3,500 premises and 6,700 beneficiaries.</p>	<p>Availability of fibre broadband connectivity is critical to Scotland's future. Such connectivity will support future innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment. It will help the transition to a low carbon economy. It will drive rural economic growth and competitiveness, creating more and better jobs and opening up new and respects and protects our environment.</p>	<p>£7.5 million (£6.5 million revenue plus £1 million capital) is core funding from Scottish Government.</p> <p>£9 million (capital) is Scottish Rural Development Programme.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b>Further Extension of Broadband Coverage</b>	To be confirmed - £42 million has been identified so far; however, the scale of the challenge will require additional investment.	2016 to 2020	Funding will be used to further extend superfast coverage. We are currently considering delivery options and, in early 2016, we will set out how we plan to utilise available funding to deliver improved connectivity to premises not covered by DSSB and CBS.	Availability of fibre broadband connectivity is critical to Scotland's future. Such connectivity will support future innovation in the digital economy and ensure Scotland's business base can remain competitive in the global digital environment. It will help the transition to a low carbon economy. It will drive rural economic growth and competitiveness, creating more and better jobs and opening up new and respects and protects our environment for different ways of living and working that encourage strong and growing rural towns and villages and respects and protects our environment.	Capital Funded.  Funded by Scottish Government and UK Government.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b>World Class Digital Infrastructure Programme</b>	To be confirmed - further investment (private and public sector) will be required, both in core (e.g. fibre and internet exchanges) and access networks (e.g. ultrafast and 5G).	Over the next 12 months, we will set out a detailed digital infrastructure road map to deliver world class connectivity through to 2020 and beyond.	The world class programme is currently considering:  1) alternative financing, commercial and delivery structures that could allow the public sector to stimulate the market in a more sustainable and cost effective way, and accelerate the deployment of infrastructure; and  2) how current and future policy can be used to lever further digital capability, and the way in which it can support the wider industry to invest and grow.	World class digital connectivity across the whole of Scotland has a vital role in enabling a vibrant world leading digital economy.  As well as having the potential to generate significant economic benefits, increased digital capabilities will also have a positive impact on the provision of health, education and social inclusion.	To be confirmed

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<b><u>ENERGY</u></b>					
<p><b>National infrastructure priority on energy efficiency</b> – through Scotland’s Energy Efficiency Programme (SEEP)</p> <p>Integration of domestic fuel poverty and energy efficiency programmes with heat generation and non-domestic energy efficiency activity to tackle fuel poverty and contribute to energy efficiency and climate change commitments.</p>	<p>Potentially over £6 billion over life of programme through a mix of public and private investment.</p>	<p>15 to 20 year programme to mid-2030’s</p>	<p>Schemes are currently being delivered through Housing Regeneration and Welfare’s and Energy Directorate Capital and Revenue Budgets</p> <p>Pilot projects will be undertaken in the development stage of the programme up to 2018 building on existing partnerships with local government. Longer term an integrated delivery mechanism will be developed.</p>	<p>Contributes to the delivery of the Scottish Government’s targets on domestic Energy Efficiency, Fuel Poverty and Climate Change Act commitments.</p>	<p>Mixture of public, private EU and other sources to developed.</p>



Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Renewable Energy, including district heating</b></p> <p>Implementation of the Scottish Renewables Routemap.</p>	<p>District Heating Loan Fund has been increased in 2016-17 by around £2 million.</p> <p>Up to £14 million was made available to fund Wave Energy Scotland until end March 2016 and we are committed to supporting WES in future settlement.</p>	<p>Spending review period</p>	<p>A range of projects will be supported, including:</p> <ul style="list-style-type: none"> <li>• The District Heating Loan Fund</li> <li>• The Heat Network Partnership;</li> <li>• Support for Infrastructure and technology development in Marine Energy, including Wave Energy Scotland;</li> <li>• Scaling up of Communities and Renewable Energy Scheme (CARES) fund (see Local and community energy section below);</li> </ul>	<p>Scottish Government target to deliver 100 per cent of our electricity needs from renewables and 11 per cent of heat demand by 2020, towards the long term decarbonisation of the energy system.</p> <p>The District Heating Loan Fund will be part of driving these policies forward – helping to maximise the replacement of traditional heating with low carbon and renewable heat.</p> <p>Aim to maximise the benefits for communities from access to locally produced and affordable renewable and low carbon heat.</p>	<p>Mixture of Scottish Government capital, revenue and financial transactions funding.</p>

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<p><b>Development of carbon capture and storage infrastructure (cluster investment plan)</b></p> <p>Scottish Enterprise, in partnership with the Scottish Government, key industry players and leading research bodies, is developing a carbon capture and storage (CCS) Cluster Investment Plan to drive forward the development of CCS opportunities in Scotland.</p>	<p>£2.5 million ad hoc aid grant from Scottish Government to Summit Power in order to undertake feasibility study of for the proposed Caledonia Clean Energy CCS Project, a notional 570 MW IGCC Power Station with carbon capture and sequestration facility.</p>	<p>£2.5 million over 2015-16 and 2016-17</p>	<p>Most investment in infrastructure is expected to be met by the private sector. The potential public sector contribution is yet to be quantified.</p> <p>2016 SG/UKG joint grant funded feasibility work for Summit Power's Coal CCS Plant in Grangemouth is completed and a CfD is negotiated for this project. Preparatory work on framework for industrial CCS and wider CCS network is completed.</p>	<p>The economic opportunities for the development of a CCS-based industry are considerable and it is estimated a whole new industry could emerge in Scotland, which could support up to 10,000 new jobs in the next 10 years.</p> <p>CCS will be a key global tool in the fight against climate change, given that some 40 per cent of global emissions are associated with coal.</p>	<p>Mixture of public and private capital and revenue funding.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Low Carbon Infrastructure</b></p> <p>Accelerating project delivery</p>	<p>A £76 million Low Carbon Infrastructure Transition Programme (LCITP) was established in March 2015, supported by European Structural Funds, for projects over 3 years.</p>	<p>2015 to 2018</p>	<p>The LCITP aims to supports over 100 low carbon infrastructure projects by 2018.</p> <p>Challenge Fund is also currently running with funding of £2.3 million available subject to suitable projects coming forward.</p>	<p>Supports decarbonisation objectives.</p>	<p>Capital / EU Funded.</p>

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<b>Community and Local Energy</b>	There will be continued support in 2016-17 as part of CARES Local Energy Challenge Fund working with LCITP for major demonstrator projects that provide transformative innovative local energy solutions.	Ongoing programme of investment	<p>This includes the CARES Local Energy Challenge Fund, which supports large-scale local low carbon demonstrator projects.</p> <p>Support (including loan funds) is available under CARES and REIF for community and locally owned projects.</p> <p>LECF projects can demonstrate value by linking local energy demand with local renewable energy generation, as well as delivering renewable heat and electricity to local consumers.</p>	Major links to renewable energy work, as well as energy efficiency.	Capital/ financial transactions funding.

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<b><u>WATER</u></b>					
<p><b>Scottish Water Investment Programme</b></p> <p>For each regulatory period, Scottish Water is directed by Ministers to deliver improvements to customer service, drinking water, the environment.</p>	£3.6 billion	The current set of Investment Objectives cover the period 2015 to 2021.	Scottish Water's investment programme is financed from charges from customers and borrowing from the Scottish Government. The levels of borrowing are set by Ministers in their Statement on the Principles of Charging. Customer charges are determined by Scottish Water's economic regulator, the Water Industry Commission for Scotland. The WICS published charges in its Final Determination in November 2014.	<p>This investment will secure a modern and efficient water service which is an essential element of a dynamic economy.</p> <p>Scottish Water will invest £3.6 billion during the period 2010-15 which contributes significantly to economic growth and supports an estimated 5,000 jobs directly in the civil engineering, construction and design sectors - roughly 20 per cent of the market in these sectors in Scotland.</p>	Scottish Water borrowing funded by Scottish Government capital.

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<b><u>HEALTH</u></b>					
<b>Unscheduled and Diagnostic Care Centres</b>  Projects to deliver improved capacity in unscheduled care and diagnostic services across Scotland.	Circa £200 million	Detailed timetable for delivery to be determined.	To be confirmed	These projects will deliver increased capacity in diagnostic and unscheduled care services across Scotland, reducing the use of private sector care, and providing greater resilience and flexibility in the use of assets.	Capital funded.  Fully funded by Scottish Government.
<b>NHS Scotland Pharmaceutical Specials Service (formerly Unlicensed Medicines)</b>  Access to Unlicensed Medicines in NHSScotland	£26.5 million	Currently in hub development.  Construction expected to commence in 2016.	Project will be delivered by hub East Central Scotland by way of a contract to design, build, finance and operate the scheme.	The local Property and Asset Management Strategy seeks to reduce waste and duplication, improve asset utilisation and build a facility to BREEAM standards.	Revenue funded – hub and Capital funded – separate associated capital costs.  Fully funded by Scottish Government.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>NHS Ayrshire and Arran - Acute Mental Health and North Ayrshire Community Hospital</b></p> <p>Project will deliver an integrated mental health and community hospital facility bringing together a comprehensive range of outpatient and in-patient facilities on the Ayrshire Central site, Irvine.</p>	£54.8 million	<p>Currently in construction.</p> <p>Operational by end of June 2016.</p>	<p>The NPD contract to design, build, finance and operate the scheme was awarded in June 2014.</p>	<p>The co-location of services to support patient pathways will improve access times for early intervention and improved outcomes</p>	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>
<p><b>NHS Dumfries and Galloway - Acute Services Redevelopment Project</b></p> <p>Replacement of Dumfries and Galloway Royal Infirmary to facilitate the provision of services in a high quality environment.</p>	£275.5 million	<p>Currently in construction.</p> <p>Operational by end of December 2017.</p>	<p>The NPD contract to design, build, finance and operate the scheme was awarded in March 2015.</p>	<p>The provision of re-designed buildings will allow services to be made more clinically effective by supporting more efficient patient pathways.</p>	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>NHS Lothian - Royal Hospital for Sick Children and Department for Clinical Neurosciences</b></p> <p>Re-provision of children's services and neurosciences to Little France.</p>	£230.1 million	<p>Currently in construction.</p> <p>Operational by end of September 2017.</p>	The NPD contract to design, build, finance and operate the scheme was awarded in February 2015.	The provision of re-designed buildings will allow services to be made more clinically effective by supporting more efficient patient pathways.	Revenue funded – NPD and Capital funded – separate associated capital costs.
<p><b>NHS Orkney - Reprovision of Balfour Hospital and Kirkwall Dental Centre</b></p> <p>This project will provide a new integrated Rural General Hospital including two primary care practices and public dental services with Scottish Ambulance Service and NHS24 co-located on the site.</p>	£67.5 million	<p>Currently in procurement.</p> <p>Construction expected to commence in 2016.</p>	The NPD contract to design, build, finance and operate the scheme is expected to be awarded in 2016.	The provision of re-designed buildings will allow services to be made more clinically effective by supporting more efficient patient pathways.	Revenue funded – NPD and Capital funded – separate associated capital costs.



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<p><b>Scottish National Blood Transfusion Service National Centre</b></p> <p>Consolidation of SNBTS Blood Processing and Testing, Tissues and Cells and other SNBTS functions onto a single site in the Central Belt.</p>	£38.1 million	<p>Currently in construction.</p> <p>Operational by end of March 2017.</p>	The NPD contract to design, build, finance and operate the scheme was awarded in October 2014.	This project seeks to meet the blood transfusion needs of patients in Scotland. It contributes to Safer and Stronger objectives, as it ensures that blood and tissue supplies are not compromised in terms of capacity and regulatory compliance AEDET and BREEAM design and environmental standards will be applied to make more efficient use of energy and lower carbon emissions contributing to more sustainable environmental practices.	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>NHS Lothian - Redevelopment of Royal Edinburgh Hospital Campus - Phase 1</b></p> <p>Provision of 185 bed facility for adult mental health and IPCU patients.</p>	£49.4 million	<p>Currently in construction.</p> <p>Operational by end of December 2016.</p>	<p>Project is being delivered by hub South East Scotland.</p> <p>The contract to design, build, finance and operate the scheme was awarded in December 2014.</p>	<p>NHS Lothian's Mental Health and Wellbeing Strategy supports the shift in the balance from hospital-based care to services where care and treatment is available in the community as near to home as possible.</p>	<p>Revenue funded – hub and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>
<p><b>NHS Lothian - Redevelopment of Royal Edinburgh Hospital Campus</b></p> <p>This scheme will provide fit-for-purpose accommodation which will comprise five phases (indicatively). This project comprises Phases 2 to 5.</p>	£98-£168 million	<p>Currently in preparation.</p> <p>Construction expected to commence by end of 2018.</p>	<p>Project will be delivered by hub South East Scotland by way of a contract to design, build, finance and operate the scheme.</p>	<p>NHS Lothian's Mental Health and Wellbeing Strategy supports the shift in the balance from hospital-based care to services where care and treatment is available in the community as near to home as possible Scotland.</p>	<p>Revenue funded – hub.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>NHS Ayrshire and Arran - Building For Better Care</b></p> <p>Redesign 'Front Door' by enhancing level of Accident and Emergency Services delivered by Consultants in Emergency Medicine at Ayr and Crosshouse Hospitals to provide single point of access to A&amp;E, Minor Injury and Illness Service, and, Ayrshire Doctors On Call Service.</p>	£27.6 million	<p>Currently in construction.</p> <p>Operational by end of January 2017.</p>	Project is being delivered by way of a Frameworks Scotland arrangement. Contract was awarded in May 2014.	The development of Consultant led A&E Departments at both Ayr and Crosshouse Hospitals, with senior medical decision making at front door of both hospitals. The provision of experienced specialist teams to manage and provide new models of care to encourage a 'Decide To Admit' culture rather than 'Admit To Decide'.	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>

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<p><b>NHS Lanarkshire - Primary Care Health Centres</b></p> <p>The development of three Community Health Centres in Lanarkshire in East Kilbride, Kilsyth and Wishaw.</p>	£50.6 million	<p>Currently in construction.</p> <p>All three facilities are operational and delivering services. Work is continuing to deliver a road and car parking infrastructure at East Kilbride and Wishaw. These works will not be fully complete until early 2016.</p>	<p>Project is being delivered by hub South West Scotland.</p> <p>The contract to design, build, finance and operate the scheme was awarded in December 2013.</p>	<p>These three health centres build upon the investment NHS Lanarkshire has made in recent years in new local primary care and community services. Their development will complete the second phase of their primary care capital invest programme.</p>	<p>Revenue funded – hub and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>

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<p><b>NHS Lothian - Partnership Centre Bundle</b></p> <p>Provision of Blackburn, Firrhill and North West Edinburgh Partnership Centres.</p>	£24.7 million	<p>Currently in hub development.</p> <p>Construction expected to commence in 2016.</p>	<p>Project will be delivered by hub South East Scotland by way of a contract to design, build, finance and operate the scheme.</p>	<p>The projects will develop modern, flexible, community-based facilities that are easily and safely accessible to patients, and which promote joint working in an environment where NHS, Local Authority and Voluntary Sector services are co-located.</p>	<p>Revenue funded – hub and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>
<p><b>NHS Lothian - Stirling Care Village</b></p> <p>Joint venture to meet the needs of the local community incorporating health and social care along with leisure, recreational, commercial and educational facilities.</p>	£36-£38 million	<p>Currently in hub development.</p> <p>Construction expected to commence in 2016.</p>	<p>Project will be delivered by hub East Central Scotland by way of a contract to design, build, finance and operate the scheme.</p>	<p>The project is a joint venture between NHS Forth Valley, Stirling Council, Forth Valley College and Scottish Ambulance Service to meet the needs of the local community, incorporating both health and social care.</p>	<p>Revenue funded – hub and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>NHS Grampian - Inverurie Health Care Hub and Foresterhill Health Centre</b></p> <p>Reprovision of a Health Centre for Inverurie to incorporate; GP Practice, Community Midwifery Unit, Radiology and Community Dental services. Reprovision of the Health Centre on the Foresterhill Health Campus site.</p>	£22 million	<p>Currently in hub development.</p> <p>Construction expected to commence in 2016.</p>	<p>Project will be delivered by hub North Scotland by way of a contract to design, build, finance and operate the scheme.</p>	<p>The Inverurie Health Care Hub will address growth in the population over recent years and will support a move towards integration and joint working. The Foresterhill project will provide a high quality new facility and will enable other developments on the Foresterhill campus.</p>	<p>Revenue funded – hub and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>NHS Grampian – Aberdeen Baird Family Hospital and ANCHOR Centre</b></p> <p>New Maternity Hospital and Centre for Cancer services.</p>	£129.5 million	<p>Currently in preparation.</p> <p>Construction expected to commence in 2018.</p>	The NPD contract to design, build, finance and operate the scheme is expected to be awarded in 2018.	The Development Framework has already resulted in significant investment in the campus including investment in existing buildings These projects will incorporate into their design improved and challenging energy performance and carbon emissions.	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>
<p><b>NHS Lothian - East Lothian Community Hospital</b></p> <p>Scheme will provide fit-for-purpose accommodation. Phase 1 is the provision of outpatients services and phase 2 the remainder of the hospital including 132 inpatient beds.</p>	£72 million	<p>Currently in hub development.</p> <p>Construction expected to commence in 2016.</p>	Project will be delivered by hub South East Scotland by way of a contract to design, build, finance and operate the scheme.	Bringing together NHS services, both from within and outwith East Lothian will provide significant opportunities to maximise integration. This will be taken forward by the East Lothian Partnership to promote the integration of hospital, social care and third sector services on the new hospital campus.	<p>Revenue funded – hub and Capital funded – separate associated capital costs.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>EARLY LEARNING AND CHILDCARE</u></b>					
<p><b>Expand provision of free Early Learning and Childcare</b></p> <p>Expand provision of free ELC for 3-4 year olds and eligible 2 year olds from 600 to 1140 hours per year.</p>	To be confirmed	2017-18 to 2019-20	We have begun discussions with the Scottish Futures Trust to explore how they can contribute to this work given their delivery of the Schools for the Future programme.	<p>High quality and flexible ELC provision can help deliver the two key pillars within the Scottish Economic Strategy by:</p> <ol style="list-style-type: none"> <li>1. promoting social justice by providing the best start in life for all children and thereby improving children's outcomes;</li> <li>2. developing gender equality, particularly in labour market participation;</li> <li>3. reducing future costs on demand for public services; and</li> <li>4. encouraging economic growth.</li> </ol>	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>



Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>SCOTLAND'S SCHOOLS FOR THE FUTURE</u></b>					
<p><b>Scotland's Schools for the Future</b></p> <p>£1.8 billion school building programme which will deliver 111 new or refurbished schools across the country.</p>	<p>£1.8 billion (£1.13 billion of which is direct from the Scottish Government)</p>	<p>Through to end of March 2020.</p>	<p>SFT is managing the schools programme between the Scottish Government and Local Authorities.</p>	<p>The school building programme will help create good quality, modern learning environments fit for delivery of Curriculum for Excellence, reducing the numbers of pupils in crumbling schools.</p> <p>The new schools will meet the highest standards of sustainability, helping meet climate change targets.</p> <p>The programme will provide employment opportunities across Scotland, with every local authority area receiving funding support for at least one building project.</p>	<p>Revenue funded and Capital funded - funded by Scottish Government and Local Authorities.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>FURTHER AND HIGHER EDUCATION</u></b>					
<p><b>City of Glasgow College</b></p> <p>The consolidation and development of the College estate on two sites (Riverside Campus and City Centre Campus).</p>	£228.6 million	<p>Currently in construction.</p> <p>The Riverside Campus opened in August 2015.</p> <p>The City Centre Campus is expected to be operational by end of August 2016.</p>	The NPD contract to design, build, finance and operate the scheme was awarded in August 2013.	<p>This project will provide modern and flexible college buildings that enable learners to gain the skills needed to effectively contribute as part of Scotland's workforce.</p> <p>The project will also focus on commitment to carbon management and emissions reductions which will contribute towards the Government's commitment to climate change.</p>	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Funded by the Scottish Government, Scottish Funding Council and City of Glasgow College.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Ayrshire College, Kilmarnock Campus</b> Relocation of campus to town centre site previously occupied by Diageo.</p>	<p>£53.6 million</p>	<p>Currently in construction.</p> <p>Operational by May 2016.</p>	<p>The NPD contract to design, build, finance and operate the scheme was awarded in June 2014.</p>	<p>This project will provide a modern and flexible college building that enable learners to gain the skills needed to effectively contribute as part of Scotland's workforce.</p> <p>The project will also focus on commitment to carbon management and emissions reductions which will contribute towards the Government's commitment to climate change.</p>	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Funded by the Scottish Government, Scottish Funding Council and Ayrshire College.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Fife College, Halbeath Campus</b> Replacement of Halbeath campus.</p> <p>and</p> <p><b>Forth Valley College</b> Replacement of Falkirk campus</p>	<p>Fife College and Forth Valley College will share an investment of £140 million</p>	<p>Working towards being operational by summer 2019</p>	<p>Pre-contract. Currently preparing outline business case</p>	<p>These projects will provide a modern and flexible college building that enable learners to gain the skills needed to effectively contribute as part of Scotland's workforce.</p> <p>These projects will also focus on commitment to carbon management and emissions reductions which will contribute towards the Government's commitment to climate change.</p>	<p>Revenue funded – NPD and Capital funded – separate associated capital costs.</p> <p>Funded by the Scottish Government, Scottish Funding Council and Fife and Forth Valley Colleges.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>HOUSING</u></b>					
<b>Affordable housing</b> The completion of 50,000 affordable homes over the five years of the Parliament	Over £3 billion	March 2021	Working with local authorities, housing associations and private developers across Scotland, we are committed to investment and leverage programmes to deliver more affordable homes.	Housing is a key part of our physical, economic and social fabric to deliver a Fairer and more prosperous Scotland.	Capital funding committed from Scottish Government for next 5 years.
<b>Raising delivery across the housing sector</b> As well as investing to deliver 50,000 affordable homes, we will take forward plans to help address the development, financing, infrastructure and collaboration issues constraining increased housing supply.	The scale and nature of the required interventions and investment is being developed with our partners	March 2021	Our 'Joint Housing Delivery Plan for Scotland' will help us work together to maximise the opportunities to achieve more of the right homes, more quickly, through new financing approaches to tackle infrastructure blockages and to attract private investment.	Fostering innovation is noted as one of the four priorities of the Government's Economic Strategy. This is essential given the financial constraints facing the Scottish Government and its partners.	Capital commitment announced in Programme for Government for Help to Buy successor (£195 million).

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>REGENERATION</u></b>					
<p><b>Implementation of the Regeneration Strategy</b></p> <p>Regeneration Strategy - Achieving a Sustainable Future – published in December 2011 - supporting sustainable economic growth, by tackling area inequality, addressing market failure, and increasing opportunities for areas of need to attract investment and jobs.</p>	<p>Regeneration Investment Fund – Capital Investment Fund of £150 million over SR period (2012-13 to 2015-16). Future funding to be confirmed</p>	<p>2011 to 2022 NB – Capital Investment fund includes £50 million JESSICA fund which is an evergreen / revolving fund with money being recycled and reinvested into new projects over its lifetime.</p>	<p>Three distinct Capital funding streams.</p> <ol style="list-style-type: none"> <li>1. The JESSICA Spruce fund;</li> <li>2. The Regeneration Capital Grant Fund; and</li> <li>3. The Vacant and Derelict Land Fund.</li> </ol>	<p>Regeneration activity is focussed on ensuring that people live in socially, physically and economically sustainable communities.</p>	<p>Scottish Government capital funded.</p> <p>JESSICA is jointly funded by Scottish Government and EU.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>CITIES</u></b>					
<b>Glasgow and Clyde Valley City Deal</b> infrastructure investment programme	£1.13 billion	Spend is profiled over 20 years from 2015-16 until 2034-35 and unlocked in 5 year tranches dependent on Glasgow and Clyde Valley meeting agreed outputs and outcomes at each 5-year review point.	Identification, management and delivery of the investment programme is a matter for the Glasgow and Clyde Valley partners.	The investment programme will be targeted at improving the regional economy, securing additional jobs and spreading the benefits of economic growth across Glasgow and Clyde Valley, ensuring that deprived areas benefit. The programme will enhance transport infrastructure, unlock new sites for housing and employment and improve the city's public transport system.	£500 million from Scottish Government; £500 million from UK Government; and a minimum of £130 million from the Glasgow Clyde Valley local authority partners.

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>CULTURE</u></b>					
<p><b>V&amp;A at Dundee</b></p> <p>New high-profile museum on Dundee waterfront bringing an internationally recognised brand, and major cultural institution, to Scotland for the first time, broadening public access to its collections and celebrating Scotland's historic importance in design. A new centre for exhibition, education, research and innovation</p>	<p>£80.1 million</p> <p>(Scottish Government is making a £25 million capital contribution towards the cost of the project)</p>	<p>Currently in construction.</p> <p>Operational by end of June 2018.</p>	<p>Contract was awarded in March 2015.</p> <p>The project is being run by Dundee City Council. Design Dundee Ltd is the delivery body which is a partnership involving the Victoria and Albert Museum, Scottish Enterprise, Dundee City Council, the University of Abertay and Dundee University.</p>	<p>Project is a magnet for economic regeneration of Dundee and is already associated with attracting new business to Dundee (e.g. Malmaison and Apex Hotels). It is expected that there will be significant tourism and employment benefits from the project. The project will also be seeking to cultivate and support design led business innovation for SMEs in Dundee and across the Region.</p>	<p>Capital funded.</p> <p>Funded by contributions from Scottish Government, Dundee City Council, Lottery, Creative Scotland, private fundraising and exploring application of Growth Accelerator funding model.</p>



Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Storage, repairs and maintenance at national cultural and heritage organisations</b></p> <p>Rationalisation of the storage requirements, possible disposal of assets (unsuitable stores requiring significant repair), shared services through co-location of storage, and maintenance of remainder of existing estate.</p>	<p>To be confirmed following review of estates.</p>	<p>This project will be phased possibly over a 10 -15 year period, subject to funding availability.</p>	<p>Construction of new storage and maintenance of existing estate will need to be largely Scottish Government funded as maintenance and storage will be unlikely to attract lottery or private sector funding.</p>	<p>More efficient and high-quality public services: a new collections facility can help national cultural and heritage organisations to generate even greater social benefit within Scotland, and increased international profile for Scotland, by helping to increase access to the national collections .</p> <p>Reducing the amount of floor space required through more modern and more appropriate storage.</p> <p>Allowing disposal of outdated and high-maintenance storage facilities.</p> <p>Opportunities to share facilities wherever possible and share costs such as security and transport.</p>	<p>To be confirmed</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<b><u>JUSTICE</u></b>					
<p><b>HMP Glasgow</b></p> <p>HMP Glasgow will provide a fit-for-purpose community facing prison, which supports the Government's objective of reducing the risk of prisoners reoffending on release from custody.</p>	£170 million	<p>Currently in preparation.</p> <p>Construction expected to commence in 2018.</p>	<p>The contract for the design and construction of this prison will be awarded by the Scottish Prison Service. On completion, SPS will operate HMP Glasgow and the existing prison facilities at HMP Barlinnie will close.</p>	<p>By replacing an old and unfit prison, HMP Glasgow will provide a fit-for-purpose prison which supports the government's objective of reducing the risk of prisoners reoffending on release from custody.</p> <p>In addition, the design of the prison will generate operational efficiencies and reduce carbon emissions.</p>	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>HMP Highland</b></p> <p>Replacement of HMP Inverness. HMP Highland will provide a fit-for-purpose community facing prison, which supports the Government's objective of reducing the risk of prisoners reoffending on release from custody.</p>	£66 million	<p>Currently in preparation.</p> <p>Construction expected to commence in 2018.</p>	<p>The contract for the design and construction of this prison will be awarded by the Scottish Prison Service. On completion, SPS will operate HMP Highland and HMP Inverness will close.</p>	<p>By replacing an old and unfit prison, HMP Highland will provide a fit-for-purpose prison which supports the government's objective of reducing the risk of prisoners reoffending on release from custody.</p> <p>In addition, the design of the prison will generate operational efficiencies and reduce carbon emissions.</p>	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>
<p><b>National Facility for Women Offenders</b></p> <p>A new national facility based on Cornton Vale site in Stirling as part of a new approach to dealing with female offenders.</p>	£45 million	<p>Currently in preparation.</p> <p>Construction expected to commence in 2017.</p>	<p>The contract for the design and construction of this facility will be awarded by the Scottish Prison Service.</p>		<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Emergency Services Future</b> Communications Programme to replace existing Airwave services</p>	<p>£70 million</p>	<p>A transitional programme with deployment across the three emergency services commencing 2016 and concluding 2020.</p> <p>The estimated costs are based on a 15 year programme lifespan (to 2031-32).</p>	<p>Conventional financing via SG capital budget; following police and fire reform, the programme budget may be devolved to the services.</p>	<p>A Shared Services programme that provides enhancements to accommodate more data-intensive working that will support improved service delivery and more efficient use of resources</p>	<p>Capital funded.</p> <p>Fully funded by Scottish Government.</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Scottish Court Replacement and service integration</b></p> <p>Project to replace existing Court buildings which are no longer fit for purpose nor viable for adaptation with purpose built efficient, effective and fully integrated Justice Centres.</p>	<p>£25-30 million (Airdrie)</p> <p>£23 million (Kirkcaldy)</p> <p>£23 million (Inverness)</p>	<p>Over 3 year period from confirmation of funding.</p>	<p>The contracts for the design and construction of the Justice Centres will be awarded by the Scottish Court and Tribunal Service.</p>	<p>The project will facilitate the efficient delivery of justice, with purpose built Justice Centres, in three locations.</p> <p>The Justice Centres would be designed to provide separation between criminal and civil court business and would provide flexible accommodation for tribunals and fatal accident inquiries.</p>	<p>Mixture of Scottish Government capital and revenue funding; capital receipts, where relevant and, potentially joint funding with other public bodies.</p>
<p><b>Scottish tribunal estate rationalisation</b></p> <p>Creation of a Civil Court and Tribunals centre in Glasgow</p>	<p>£30 million dependent upon scope</p>	<p>Immediate start to deliver within 3 years from confirmation of funding</p>	<p>The contract for the design and construction of Tribunal and FAI Centre will be awarded by the Scottish Court and Tribunal Service.</p>	<p>During the current financial year, the SCTS has taken on additional responsibilities. It will also see the transfer of further Glasgow based reserved tribunals as a result of the Smith Commission from 17-18 onwards. It is economically and operationally effective to locate these together.</p>	<p>Scottish Government capital and revenue funding</p>

Project / Programme	Total Estimated Capital Investment	Timetable	Delivery	Strategic Links and Consideration	Funding Route
<p><b>Scottish court improvement initiative</b> including equality and disability access measures, energy reduction and essential backlog maintenance initiatives</p>	<p>£20 million</p>	<p>Immediate start to deliver within 1-3 years from confirmation of funding.</p>	<p>Delivered through a number of design and supply contracts which will be awarded by the Scottish Court and Tribunal Service.</p>	<p>The project would ensure that the court estate is more complaint with current regulation and minimise the risk of court down time through a growing backlog of maintenance.</p>	<p>Scottish Government capital and revenue funding.</p>



# ANNEX B: GLOSSARY

**GLOSSARY**

ANCHOR	Aberdeen and North Centre for Haematology, Oncology and Radiotherapy
AWPR	Aberdeen Western Peripheral Route
BREEAM	Building Research Establishment's Environmental Assessment Method
CAP	The Common Agricultural Policy
COSLA	Convention of Scottish Local Authorities
CSGN	Central Scotland Green network
DBIS	Department for Business Innovation and Skills
DECC	Department of Energy and Climate Energy
DEL	Departmental Expenditure Limits
DPOs	Disabled People's Organisations
DSSB	Digital Scotland Superfast Broadband
DWQR	Drinking Water Quality Regulator
EGIP	Edinburgh to Glasgow Improvement Programme
ERDF	European Regional Development Fund
ESA 10	European System of Accounts 2010
EV	Electric Vehicle
FRC	Forth Replacement Crossing
GA	Growth Accelerator
HEEPS	Home Energy Efficiency Programmes for Scotland



HES	Historic Environment Scotland
HMP	Her Majesty's Prison
ICT	Information and Communication Technology
IIB	Infrastructure Investment Board
IIP	Infrastructure Investment Plan
IPD	Infrastructure Projects Database
ITS	Intelligent Transport Systems
JESSICA	Joint European Support for Sustainable Investment in City Areas
LGPS	Local Government Pension Scheme
NHT	National Housing Trust
NPD	Non-Profit Distributing
NPF	National Planning Framework
NTS	National Transport Strategy
ONS	Office for National Statistics
PfG	Programme for Government
PFI	Private Finance Initiative
RAB	Regulatory Asset Base
RAMP	Road Asset Management Plan
RCGF	The Regeneration Capital Grant Fund
RPP3	The third Report on Proposals and Policies
SCS	Scottish Court Service

SCTS	Scottish Courts and Tribunal Service
SDPA	Strategic Development Planning Authority
SE	Scottish Enterprise
SEGEC	The Scottish European Green Energy Centre
SEPA	Scottish Environment Protection Agency
SES	Scotland's Economic Strategy
SFC	Scottish Funding Council
SFRS	Scottish Fire and Rescue Service
SFT	Scottish Futures Trust
SG	Scottish Government
SLAED	Scottish Local Authorities Economic Development Group
SNH	Scottish Natural Heritage
SPA	Scottish Police Authority
SPS	Scottish Prison Service
SPT	Strathclyde Partnership for Transport
SRDP	Scotland Rural Development Programme
SSF	Scotland's Schools for the Future
STEM	Science, Technology, Engineering and Mathematics
STPR	Strategic Transport Projects Review
TIF	Tax Incremental Financing
V&A	Victoria and Albert



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