

Business and Regulatory Impact Assessment

Infrastructure Investment Plan 2021-22 to 2025-26

Purpose and Intended Effect

Background

The value of investing in infrastructure goes beyond the physical homes, schools and hospitals delivered. It has the capacity to unlock economic potential, support jobs, and enable our businesses and communities to grow.

The COVID-19 pandemic is primarily a public health emergency, but one that has created an economic crisis, impacting across all sectors of Scotland's economy, business, workers and households. The impacts that we have seen so far are significant, and it is likely that as well as having serious effects in the immediate and short term, they will also create scarring effects over a longer period.

Infrastructure will be vital to our Recovery and Renewal following the COVID-19 pandemic, providing opportunities to address unemployment and poverty, and potential to support efforts to tackle the widening inequalities. The Advisory Group on Economic Recovery¹ has recognised the importance and value of capital investment in Scotland's economic recovery and wider wellbeing.

Infrastructure can provide the largest economic boost of any Scottish Government investment – that is why the Scottish Government committed in its 2018-19 Programme for Government² to drive forward a National Infrastructure Mission and steadily increase Scotland's annual infrastructure investment until it is £1.5 billion higher by the end of the next Parliament than in 2019-20.

To support delivery of the National Infrastructure Mission, Scottish Ministers established an independent Infrastructure Commission for Scotland. Their Phase 1 Key Findings report called on the Scottish Government to tackle the dual challenges of a climate emergency and creating an inclusive growth economy³. The Commission's Phase 2 Delivery Findings report⁴ focussed on how infrastructure is delivered. The Commission's work has directly informed the development of the Infrastructure Investment Plan.

Objective and rationale for intervention

The last Infrastructure Investment Plan (IIP) was published in 2015 and its pipeline of activity has largely been delivered. To give market confidence, an update is now required.

¹ <https://www.gov.scot/publications/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/>

² <https://www.gov.scot/publications/delivering-today-investing-tomorrow-governments-programme-scotland-2018-19/>

³ <https://infrastructurecommission.scot/page/key-findings-report>

⁴ https://infrastructurecommission.scot/storage/276/Phase2_Delivery_Findings_Report.pdf

This IIP provides a coherent and strategic picture of our Scottish Government-wide investment priorities between the financial years 2021-22 and 2025-26.

It also sets a long term vision for infrastructure

“Our Infrastructure supports Scotland’s resilience and enables inclusive, net zero, and sustainable growth”

In delivering this vision, the draft IIP will focus on three strategic themes for guiding investment decisions in Scotland:

- **Enabling the transition to net zero emissions and environmental sustainability**
- **Driving an innovative, competitive and inclusive economic growth**
- **Building resilient and sustainable places and communities**

These three themes are directly linked to Scotland’s National Performance Framework and the UN Sustainable Development Goals, which set out the overall purpose and national outcomes that support Scotland’s wellbeing.

Over the next 30 years strategic drivers such as shifts in Scotland’s population – both where people live and how they live – as well as changes in the way technology is used, will influence investment decisions. Action to reduce greenhouse gas emissions and preparing for the changes that are likely to occur as a result of climate change must also be considered.

In the short to medium term, investment in infrastructure will be key to Scotland’s economic recovery from COVID-19, and also in supporting public services, delivering our transition to net zero, and meeting the needs of people and communities across Scotland.

Consultation

Within Government

During development of the IIP, a series of internal workshops were held across the Scottish Government. These workshops provided an opportunity for colleagues to share their views on the issues being considered in the consultation.

Senior officials from a capital spending departments across Scottish Government have been engaged in the development of the Plan. A short-life internal Infrastructure Advisory Group was established to steer the development of the IIP and to help to create the conditions for a more collaborative and strategic approach.

The group’s role complemented that of the Executive level Infrastructure Investment Board⁵ which has oversight of the IIP. The Scottish Cabinet has also considered proposals for the IIP, giving approval for the approach taken.

⁵ <https://www.gov.scot/groups/infrastructure-investment-board/>

Public Consultation

The IIP was published in draft, enabling consultation to enhance dialogue with a range of interested industry, public and third sector organisations. The consultation period was 24 September– 19 November 2020.

We received 147 responses (of which 48 were part of campaign responses in relation to the A96). One consultation response from each of the two A96 campaign responses have been included in the overall analysis. Therefore, a total of 101 consultation responses were analysed.

The vast majority of responses were submitted by organisations (86%) representing a good cross-section of infrastructure-related thematic sectors. These are broken down as follows:

	Number	%
Individual	14	14%
Organisation	87	86%
Construction and Built Environment	19	22%
Natural Environment & Climate Change	14	16%
Travel and Transport	14	16%
Local Government	13	15%
Energy, Telecoms, Water and Waste	8	9%
Business and Enterprise	7	8%
Health, Education and Public Services	6	7%
Other ⁶	6	7%

As the IIP has been directly informed by the work of the Infrastructure Commission for Scotland, the period of public IIP consultation built on extensive engagement already undertaken by the Commission⁷ and did not seek to repeat it.

The Infrastructure Commission received 150 responses to its initial “Call for Evidence” from experts and specialists across all infrastructure sectors. Respondents came from business and academia, all levels of local, regional and national government, private individuals, as well as public and private sector infrastructure operators and deliverers.

This was followed by the Commission holding five regional forums across Scotland as well as nine specialist roundtables events. The Commission also sought the views and experience of international bodies such as the Organisation for Economic Co-operation & Development (OECD) and the World Bank, as well as infrastructure planners and practitioners from countries across the globe. The Commission also engaged with over 1,000 members of the public in Scotland through either face-to-face workshops or an online survey, to understand better what they view as key infrastructure priorities for the future, as well as some of the trade-offs that may need to be considered.

⁶ Other' includes National Museums Scotland, National Trust for Scotland, Scottish Futures Trust, Scottish Land & Estates. The National Lottery Heritage Fund, The Law Society of Scotland.

⁷ https://infrastructurecommission.scot/storage/224/Appendix_B.pdf and https://infrastructurecommission.scot/storage/230/Appendix_G.pdf

Business

The Infrastructure Commission for Scotland's active engagement with business and the private investment sector provides a base for ongoing dialogue. Building on this, businesses who had previously engaged with the Commission were contacted directly and encouraged to engage and respond to the consultation on the IIP. More in-depth engagement with businesses was also undertaken, with Scottish Government attending bespoke events with businesses and representative organisations. This included a session with Glasgow Chamber of Commerce Policy Forum and the Institution of Civil Engineers. Engagement sessions were also run with NatureScot, attracting attendees from a cross-section of business interests. A session with the Cross Party Group in the Scottish Parliament on Construction⁸ also took place in November with attendees representing a number of construction businesses.

Options

Option 1: Do minimum

Ministers could decide not to accept the Commission's recommendations and to develop its IIP in a more conventional manner, considering known capital investments under established sectors, rather than a coherent and cross-cutting approach aimed at delivering strategic outcomes.

Benefits

There do not appear to be many benefits to pursuing this approach as it would negate the in-depth consideration of the independent Infrastructure Commission for Scotland and miss the opportunity to develop an investment plan that maximises the impact on the Government's long term goals and generate the greatest public value from the planned investments.

Costs

Failing to provide a cohesive strategy, long-term vision, objectives and priorities for action could have a detrimental effect on future growth and development across all sectors. This would not be in alignment with the Scottish Government's ambitions for those sectors or its aspirations for increasing sustainable and inclusive economic growth. It would also result in social, environmental and economic costs to businesses and people.

Option 2: Prepare a coherent strategic Infrastructure Investment Plan, reflecting the Commission's recommendations

This IIP provides a coherent and strategic picture of our Scottish Government-wide investment priorities to 2025-26.

⁸ [Construction - MSPs: Scottish Parliament](#)

The Plan has been developed to implement the Phase 1 recommendations of the Infrastructure Commission. It includes a number of shifts in approach. Notably it:

- Articulates shifts in approach due to COVID-19, and to respond to long-term needs;
- Sets out a coherent, strategic plan – rather than being portfolio-based, it delivers long-term outcomes across three themes, under a single common vision;
- Sets out plans on a consistent 2021-22 to 2025-26 timeline across all areas, showing how Scottish Ministers will deliver the National Infrastructure Mission;
- Introduces a new, common investment hierarchy – enhancing and maintaining existing assets ahead of new build;
- Supports market confidence and jobs with a sizeable pipeline of activity;
- Establishes a 5-year improvement programme & promotes public engagement.

Benefits

Analysis by the Scottish Government undertaken in 2018 shows that the National Infrastructure Mission could lead to a sustained boost in Scottish GDP by between 0.5% to 1% by 2025-26⁹, depending on the measure of the economy used.

The National Infrastructure Mission means over £33 billion of Scottish Government investment over the course of the next Parliamentary term. Of that total value, the IIP sets out over £26 billion of major projects and large programmes that are ready to be confirmed now, including those deploying revenue finance. Looking ahead, we will show how future projects which have progressed beyond the planning stage and into delivery will join our pipeline.

Using the latest Scottish Government Input-Output model of the economy, our planned investment over the Capital Spending Review period is estimated to support around 45,000 full time equivalent jobs. This includes the jobs supported directly, mainly in the construction sector, but also the indirect jobs supported in the supply chain. It should be understood that this is activity relating to delivery of the capital investment, not its long term use.

The Commission recommended development of an investment hierarchy which prioritises maintaining and enhancing existing assets over new build. An investment hierarchy does not preclude new assets. Rather it is an approach to planning and decision making which would consider future needs, including use of digital platforms and technology, and the suitability of existing assets.

The Scottish Government Office of the Chief Economic Adviser (OCEA) has established an overview of the economic and distribution benefits of maintenance and enhancement programmes. The evidence suggests that capital maintenance has a high rate of return, and the economic benefits are expected to be as high as those modelled for new-build, particularly where the focus is on assets in the poorest condition. They can also offer a wider regional distribution of jobs and a greater potential for Scottish Small and Medium sized Enterprises (SMEs) to engage in this work than is typical in larger construction programmes. The IIP sets

⁹ <https://www2.gov.scot/Resource/0054/00544114.pdf>

out our intention to double current investment in maintenance and asset enhancement over the next five years.

Costs

The changes made to the IIP based on the ICS recommendations are not expected to imply any additional costs.

Some additional resource may be required when considering the future infrastructure needs and exploring the steps of the investment hierarchy, however the benefits (i.e. avoiding unnecessary new build assets by extending the life of existing assets) of this approach are likely to outweigh the costs of implementing the hierarchy.

Sectors and Groups Affected

This Infrastructure Investment Plan sets the strategic framework for the infrastructure investment the Scottish Government and its public bodies will make over the coming 5 years – from 2021-22. It also provides details of the major projects and programmes we plan to invest in. Delivery of individual projects and programmes is the responsibility of individual Scottish Government portfolios and public bodies.

Investment plays an important role in the economy, stimulating business activity and innovation, delivering public goods like transport infrastructure housing and environmental projects, creating healthy competition, attracting talent and, most importantly, creating jobs. The importance of investment to our economic recovery was a core element of advice from the Advisory Group on Economic Recovery¹⁰.

Formal consultation on the approach set out in the Draft IIP¹¹, in addition to previous engagement undertaken by the Infrastructure Commission for Scotland, provided an opportunity to hear directly from business on proposals. The majority of respondents were in favour of the approach set out in the Draft Plan, and we gathered a rich source of information and views that will inform the development of the work that will be undertaken to improve our approach and develop the next Plan in five years. We are committed to further engagement as we develop our approach.

The IIP is specific to the infrastructure investment the Scottish Government and its public bodies will make over a five year period. However, the IIP is also expected to provide increased confidence to the private sector to invest in growth areas, and to provide a clear line of sight to the Scottish Government's long term vision and strategic approach to investment.

¹⁰ <https://www.gov.scot/publications/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/>

¹¹ [A National Mission with Local Impact - draft infrastructure investment plan 2021-2022 to 2025-2026: consultation - gov.scot \(www.gov.scot\)](#)

Implementation of the programmes and projects contained in the IIP will impact on communities and businesses in Scotland. For some, the impact of these actions will be direct, e.g. through increased availability and use of digital infrastructure, for others it will be more indirect, e.g. through investments that will accelerate transition to net zero emissions and result in enhancements to our air quality.

Scottish Government's infrastructure investment has a role in facilitating business growth, for example by improving productivity through enhanced digital connectivity; connecting employers to new markets, suppliers and partners; or increasing their access to talent and labour market. Successful delivery of the IIP will also rely on a construction industry that is both well positioned to deliver and understands the wider social and economic wellbeing priorities associated with that delivery.

The construction industry in Scotland has, like many others, been badly affected by the COVID-19 pandemic. Industry feedback has been clear that a pipeline of contract opportunities providing a clear picture of planned government investment is a key component for business stability.

This Plan offers a pipeline of future investment opportunities to stimulate a wide range of supply chain and construction sector opportunities. In order to identify and maximise the local industry benefit from the pipeline, The Scottish Government will take forward a range of actions collaboratively with the Construction Leadership Forum¹² and, working within established suppliers' forums, continue to address the challenges of COVID-19 and incorporate lessons learned as appropriate into post-pandemic practice through the Supply Chains' Development Programme, including how best to support local economies to get more value from public sector investment and supports more local businesses to secure contracts

The IIP sets out a five year implementation plan which includes an in-depth, iterative approach, to further developing the framework for Scottish Government capital investments. This builds on recommendations made by the Infrastructure Commission for Scotland. This approach will ensure delivery of outcomes is maximised ahead of the next IIP, expected by 2025. Included in this will be the development of an up-to-date 'needs assessment' covering all infrastructure sectors. This is expected to be informed in part by public bodies' estate asset management strategies. The business impact on public bodies to prepare estate asset management strategies will need to be explored further as part of this process.

Scottish Firms Impact Test and Competition Assessment

Our existing evidence suggests that a greater emphasis on maintenance and adaptation of existing assets could benefit Scottish companies who are more likely to bid for contracts of lower value. For example, the lower values of projects for capital maintenance as compared to larger construction projects may enable more

¹² [Construction Forum Scotland Home/News - Construction Forum Scotland](#)

SMEs to compete for individual contracts and therefore increase the distribution of the employment benefits across Scotland.

The Scottish Government is actively working to maximise the economic impact of public procurement. 79% of suppliers awarded contracts in 2019-20 were SMEs, and 63% were SMEs located in Scotland. Maximising public money; driving access to contracts for business; jobs and training; and reflecting climate change goals, will ensure procurement activity, within current legislative requirements, reflects the needs of local communities and is in-line with the Place Principle.

The Scottish Government is committed to leveraging the full procurement rules to exploit opportunities that will support economic recovery, making it easier for local businesses to bid for and win contracts and maximising support for critical local supply chain development and resilience within the current rules.

Consumer Assessment

Implementation of the IIP and the project pipeline will support investments that improve consumer access to goods and services, including essential services.

The hierarchy approach means facilities and assets will be better maintained and it is therefore anticipated this will impact positively on the people of Scotland.

Driving inclusivity within Scotland's economy and building sustainable communities feature at the heart of the IIP's themes and implementation of the IIP will support a Wellbeing economy.

Digital Impact Test

Whilst telecoms, digital and internet are specifically referenced in the official Scottish Government infrastructure definition, meaning these areas are eligible for Scottish Government Capital investment, more broadly consideration must be given to ensuring infrastructure investment is resilient to the future.

The IIP considers drivers that will most heavily influence Scotland's infrastructure needs over the longer-term, including technological change.

The IIP sets out the main trends identified in technological change related to infrastructure:

- **Digitisation of services, systems and solutions** and a clear trend towards **automation** – to augment or replace human involvement;
- **Significantly more data** being created, requiring enhanced digital connectivity, common standards and **cyber security**;
- Greater **interconnectedness of infrastructure types**, requiring greater collaboration and cooperation across industries, technology firms and public organisations;
- **Decentralisation of utilities and service delivery** – e.g. the rise of work at home/work anywhere models, telehealth and more preventative healthcare.¹³

¹³ <https://www.gov.scot/publications/implications-future-technological-trends-scotlands-infrastructure/>

The IIP is shaped to take account of these long term trends. For example, the investment hierarchy requires that any new investment has been considered in light of future needs, including changes in service design, availability of digital platforms and technological innovation.

Enforcement, sanctions and monitoring

There is already a well-established suite of monitoring and reporting arrangements for the IIP including to the Scottish Parliament Public Audit and Post-legislative Scrutiny Committee. These include an Annual Progress Report on the IIP itself and a suite of reports every six months on the delivery details of:

- Project Pipeline - details projects with a capital value of £20 million or more where the Scottish Government has a lead role in procurement or funding.
- Major Capital Projects Progress Update - provides information on projects with a capital value of £20 million or more which are at the Outline Business Case (or equivalent) approved stage or beyond.
- Programme Pipeline Update - includes information relating to ongoing key major infrastructure programmes with an investment of £50 million or more.

We newly propose to lower the reporting threshold to £5 million for projects and £20 million for programmes to provide even greater transparency. Certain programmes are also broken down to show specific projects where this is appropriate (in line with the new thresholds). These changes are being made in response to efforts to further enhance the transparency of our reporting. In doing so, we have been guided by international best practise, including the recommendations of the European Cooperation in Science and Technology (COST) framework¹⁴ and the OECD¹⁵.

Implementation and delivery plan

The Infrastructure Investment Plan and Capital Spending Review published alongside it, together provide a strong and coherent framework for directing, analysing, shaping, and prioritising future commitments.

This Infrastructure Investment Plan provides a strategic picture of Scottish Government-wide priorities across the next five financial years from 2021-22 until 2025-26.

Public consultation on the IIP has enabled stakeholders to input as the Scottish Government has sought to finalise its approach. We have reflected upon this feedback and incorporated changes in this Plan where appropriate. The majority of respondents were in favour of the approach set out in the Draft Plan, and we gathered a rich source of information and views that will inform the development of the work that will be undertaken to improve our approach and develop the next Plan in five years.

¹⁴ [CoST-high-income-case-study-Scotland-1.pdf \(infrastructuretransparency.org\)](#)

¹⁵ [OECD Compendium of Policy Good Practices for Quality Infrastructure Investment](#)

The Scottish Government is committed to openness and transparency. We agree with the Infrastructure Commission for Scotland's view that public engagement and participation is needed to ensure short and long term trade-offs are effectively debated, understood and taken into account. Further public engagement as we develop our approach will include building on experiences across sectors and in other countries.

Regular ongoing Infrastructure Investment Plan Pipeline monitoring and reporting to the Parliamentary Audit and Post Legislative Scrutiny Committee (PAPLS) will ensure scrutiny on delivery of the major projects and programmes outlined in the plan.

Summary and recommendation

Based on analysis of the associated costs and benefits, publishing an Infrastructure Investment Plan that reflects the Infrastructure Commission for Scotland's recommendations, is the preferred option. Investment in infrastructure is an integral part of delivering the Scottish Government's aims for a greener, fairer and more prosperous Scotland and the strategic approach outlined in the IIP will provide a pan-Scottish Government view of investment priorities to 2025-26.

Investment in infrastructure will be key to Scotland's economic recovery from COVID-19, and also in supporting the adaptation of public services, delivering our climate change emissions targets and transition to net zero while meeting the needs of people and communities across Scotland.

Declaration and publication

I have read the Business and Regulatory Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed:



MICHAEL MATHESON
Cabinet Secretary for Transport Infrastructure and Connectivity

Date: 8 March 2021

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