



The Scottish Parliament  
Pàrlamaid na h-Alba

## FINANCE COMMITTEE

### AGENDA

**26th Meeting, 2013 (Session 4)**

**Wednesday 30 October 2013**

The Committee will meet at 10.00 am in Committee Room 3.

1. **Draft Budget Scrutiny 2014-15:** The Committee will take evidence on the Scottish Government's Draft Budget 2014-15 from—

Barry White, Chief Executive, and Peter Reekie, Finance Director, Scottish Futures Trust.

2. **Land and Buildings Transaction Tax Implementation:** The Committee will take evidence from—

Eleanor Emberson, Director of Financial Strategy and Head of Revenue Scotland, Scottish Government;

John King, Director of Registration, Registers of Scotland.

James Johnston  
Clerk to the Finance Committee  
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The papers for this meeting are as follows—

**Agenda item 1**

Paper by the clerk

FI/S4/13/26/1

**Agenda item 2**

Paper by the clerk

FI/S4/13/26/2

## Finance Committee

26th Meeting, 2013 (Session 4), Wednesday 30 October 2013

### Draft Budget 2014-15

#### Purpose

1. The purpose of this paper is to provide background information for the oral evidence session with the Scottish Futures Trust (SFT). A paper from the SFT is attached.

#### Scottish Futures Trust

2. The SFT is an independent company, established by the Scottish Government (SG) in 2008, and is responsible for delivering value for money across all public sector infrastructure investment. It operates at arm's length from the SG but works closely with the public sector to seek and deliver improved value for taxpayers.

3. In the draft budget for 2014-15, the SG states that "SFT has delivered £132 million of net future benefits and savings during 2013-12... Added to the three previous years, SFT has now delivered a total of £503 of savings and benefits to the people of Scotland."<sup>1</sup>

4. The SFT's *Statement of Benefits 2012-13*<sup>2</sup>, sets out these benefits and savings is as follows—

Benefit Type	Examples of SFT activity in 2012/13	Value (£m)
<b>Avoided Cost</b>	Reduced dependency on external advisers	3.1
<b>Efficiency Gains</b>	Innovation to the financing of projects	21.3
	Validation and review of projects	5.7
	Delivery of programmes	85.3
	More efficient investment	5.4
<b>Additional Investment</b>	Investment over traditional capital budgets	16.9
<b>Total Benefit</b>		<b>137.7</b>
<b>Cost of Operations</b>		-5.6
<b>Net Benefit</b>		<b>132.1</b>

<sup>1</sup> Scottish Government. (2013) *Draft Budget 2014-15*, page 122. Available at: <http://www.scotland.gov.uk/Publications/2013/09/9971>

<sup>2</sup> Scottish Futures Trust. (2013) *Statement of Benefits 2012-13*. Available at: <http://www.scottishfuturestrust.org.uk/publications/sfts-statement-of-benefits-2012-2013/>

## Non-profit Distributing Model

5. Draft Budget 2014-15 states that: “Progress continues to be made on delivering the full Non-Profit Distributing (NPD) pipeline of investments.”<sup>3</sup> The Government estimates that projects with a combined value of £809m are due to start construction in 2014-15. Table 1 below provides a comparison of the estimates of NPD financed capital investment with previous Draft Budgets.

**Table 1**

<b>£m, cash</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Draft Budget 2012-13	353	686	774
Draft Budget 2013-14	20	338	973
Draft Budget 2014-15	n/a	185	809

6. The CSFESG explained in his Ministerial statement on Draft Budget 2014-15 that in “the short term, NPD investment is lower than was originally forecast.”<sup>4</sup> He set out two reasons for this. First, some NPD projects are being concluded at lower cost. Second, some projects are taking longer to be prepared and planned.

7. The SFT states in its submission that—

“Very significant progress has been made on projects in the NPD investment pipeline since our evidence in January 2013... Financial close has been achieved on £267m of projects with more than £600m anticipated by the end of this financial year. The scale and pace of the projects mean that the programme continues, in relative terms, to be one of the largest programmes of its type in Europe.”

8. Commenting on programme challenges and movements on the capital investment profile, the SFT states—

“SFT recognises that there has been a significant reduction in anticipated capital investment through the NPD programme in both 2013-14 and 2014-15. Across these two years, there is a 24% reduction from £1,311m to £994m. This does not reflect a reduction in the programme overall, but the capital profile has moved out in time. We have remained clear that the profile depends on project progress and are keen to provide a detailed explanation of what has happened and why.”

9. The SFT explained that “the majority of movement in the capital investment profile has been due to projects taking longer in initial development than

<sup>3</sup> Scottish Government. (2013) *Draft Budget 2014-15*, page 172. Available at: <http://www.scotland.gov.uk/Publications/2013/09/9971>

<sup>4</sup> Scottish Parliament, *Official Report*, 11 September 2013, Col 22275

anticipated” or projects being switched from revenue funding to traditional capital funding.

10. However, SFT does point out—

“At the time of the 13/14 draft budget, only 38% of projects by value had passed the Initial Approval stage. Significant progress has been made through the year in progressing projects through these early stages, with 84% by value now being past initial Approval and hence having increased certainty of timetable.”

### **Conclusion**

11. The Committee is invited to consider this information and the attached paper in its oral evidence session with the SFT.

**Catherine Fergusson**  
**Senior Assistant Clerk to the Committee**

**Scottish Parliament Finance Committee - Scrutiny of the draft budget 2014-15**  
**Submission from the Scottish Futures Trust**

**1. Introduction**

You have invited the Scottish Futures Trust to provide evidence to the Finance Committee as part of the Committee's scrutiny of the Scottish Government's draft budget for 2014-15 with the purpose:

"to seek an update from SFT on progress in relation to NPD-financed investment, following from the recommendations in the Committee's report on the draft budget for 2013-14 and the evidence you provided to the Committee in January of this year."

NPD is one of SFT's work streams with TIF and NHT providing further additional investment of £63m this year over and above capital budgets. TIF has active projects in Glasgow and Falkirk. NHT has over 450 homes already occupied with more than 600 in development. Beyond that SFT's broader activities include the Scotland's Schools for the Future Programme, hub, asset management, low carbon and energy efficiency, and operational PPP efficiency reviews. This submission focuses on NPD and is provided to assist members of the Committee in their scrutiny.

**2. Summary**

Very significant progress has been made on projects in the NPD investment pipeline since our evidence in January 2013. The first project in the programme, the Aberdeen Health Village, is scheduled to open in December. Financial close has been achieved on £267m of projects with more than £600m anticipated by the end of this financial year. The scale and pace of the projects mean that the programme continues, in relative terms, to be one of the largest programmes of its type in Europe. Progress through procurement has been swift and our partners throughout the public sector, enabled by SFT's simplification of the process and commercial support, have completed sterling work in progressing complex projects through procurement at pace. All the major projects that have reached or will reach financial close this year remain on target to be complete by the time set out when projects were given their Initial Approval at Outline Business Case.

Project	Completion Date at OBC	Current Completion Date
Inverness College	Open August 2015	Open August 2015
Glasgow College	Open August 2016 (City)	Open August 2016 (City)
M8 Bundle	Open May 2017	Open May 2017

However, it is clear from the tables in Annex B of the 2014-15 Draft Budget, and from SFT's regularly published pipeline documents, that as the individual projects have been

progressed some have taken longer than anticipated to bring through early project development and hence the overall build up in construction activity will be slower than that anticipated in the earlier projections which were based on high level information. We now have significantly more information, with all individual projects identified and the bulk of the programme now in procurement or hub development. As most projects have now passed the “Outline Business Case” or “Initial Approval” stage at which Audit Scotland recognise programme certainty to be good enough to track movement against, there is greater certainty around the construction profile. That certainty will continue to increase as more projects reach financial close. However given uncertain financial markets, the complexity of projects, and with some projects still in early development some risk of further movement remains.

In the following sections we set out for the Committee: some of the milestones and achievements in the programme since we last reported; an analysis of the challenges faced and reasons for programme movements; and a response to the recommendations of the Committee in its report on the 2013-14 draft budget, which SFT has acted on.

### 3. NPD Programme Achievements

Since reporting in January work has progressed on the £15m Aberdeen Health Village and this project, the first financed through the NPD programme is planned to open this December. The £14m Forres / Woodside / Tain Health Centres bundle of projects in the North hub programme and both the £45m Inverness and £193m Glasgow colleges stand-alone NPD projects have reached financial close and are now under construction. Each of these projects represent important milestones:

The **Inverness College** project progressed through procurement from OJEU notice to Financial Close in a record 17 months. This compares to previous experience of significantly longer procurement times as exemplified by HM Treasury’s December 2012 statement that “Average PFI procurement times, from initial project tender to financial close, have stubbornly remained at around 35 months<sup>1</sup>”. The compressed procurement time reduces costs for bidders as has been called for by the industry and is a result of robust project preparation, contract simplification by SFT and the deployment of experienced PPP procurement resource. The project was won by the Scottish Miller Construction whose Chief

Inverness College at 22 October 2013



<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/205112/pf2\\_infrastructure\\_new\\_approach\\_to\\_public\\_private\\_partnerships\\_051212.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/205112/pf2_infrastructure_new_approach_to_public_private_partnerships_051212.pdf)

Executive Chris Webster has said “We were very pleased with the streamlined bidding process on the Inverness College project. This will help us get on site quickly with our local supply chain to deliver a first-class facility for students.” The development anchors the overall 215 acre Inverness Campus - one of the most exciting and important projects being developed by Highlands and Islands Enterprise over the next 20 years. Acceleration delivered by NPD now allows HIE to market other opportunities on an active site, which will help draw in other economic activity to the area. Community benefits from the project are already substantial with 11 new entrant work placements out of a target of 34 having been delivered, and a supplier engagement and employability day held on 15<sup>th</sup> October in conjunction with CITB, Skills Development Scotland, Inverness College, The Highland Council and Job Centre Plus.

The £193m revenue funded (£228m total project value) **Glasgow College** project is the largest deal completed to date, and will be one of the biggest building projects in the programme along with the Dumfries and Galloway Hospital. Its stunning design by the leading Scottish practices Reiach & Hall and Michael Laird will be a landmark in the regeneration of Cathedral Street in Glasgow’s Buchanan Quarter and provide up to 570 person-years of construction jobs on site. It is the first project in the programme in which the European Investment Bank (EIB) has invested, saving in the order of £30m over the life of the project. SFT has worked with procuring Authorities to bring EIB investment into this, the two roads and, subject to their detailed technical analysis, the two larger hospital projects. Overall, this would see EIB investing over £600m in Scotland over the coming years and delivering substantial overall savings. The project was procured in 21 months, and while very swift compared to historic projects this represented a slight increase from the challenging 18 months initial estimate due to complex negotiations with international financiers over the summer of 2013. The skills, cooperation and commitment of the Glasgow College project team and their Preferred Bidder, Sir Robert MacAlpine, meant that construction work got



Contracted to deliver community benefits over construction and 25 years operation.  
Construction highlights:

Minimum 170 new entrant placements with at least 5203 person weeks all paid at least the Glasgow Living Wage. 40 earmarked for college students. Training programmes and qualifications to be provided.

Minimum 40 new apprenticeships

Minimum 200 person weeks of multi disciplinary work experience opportunities

Minimum of 500 hours of capacity building to help SMEs/SEs benefit from supply chain opportunities

A fund of £60K allocated by the contractor for curriculum related projects

Before contract award, 16 new entrant jobs (11 apprenticeships) and 3 summer work placements had been delivered



underway during the critical summer holiday period in advance of contract signature so that the overall programme for opening the college remains intact.

The **Forres / Woodside / Tain bundle** provides evidence of the innovation that hub can bring. These three small health centres, two in Grampian and one in Highland Health Board areas are individually too small to undertake as financed projects and would have had to wait until NHS capital budgets became available before they were built. Through hub North Scotland, it has been possible for the first time for NHS Grampian and NHS Highland to take the projects forward together in a single deal, bringing in institutional finance from Aviva and a standardised approach saving money across the two Boards. This joint development of projects between Authorities is being used across hub, with Local Authorities collaborating on schools design and development and health boards collaborating with Local Authorities and others on jointly occupied premises. In a further feature of hub, local SMEs were given the opportunity to compete for 55 individual work package opportunities and 85% by value of the work has been awarded to Scottish SMEs.

In addition to projects reaching financial close the **M8 bundle** of projects has chosen its preferred bidder, Scottish Roads Partnership (an international consortium of Ferrovial through its UK contractor Amey, Lagan, Meridium infrastructure and Scottish Widows) and is now working towards financial close. The projected completion date of this project of May 2017 remains in line with that set out in the project's business case.

The **Royal Hospital for Sick Children (RHSC), and the Department of Clinical Neurosciences (DCN)** project in Edinburgh launched its procurement in December 2012, with three strong consortia now in dialogue and a preferred bidder expected to be announced in early 2014. The early work by NHS Lothian and SFT to secure a separation of the site from the adjacent Edinburgh Royal Infirmary PFI project took some time but was essential to deliver the value for money from that strong competition, and gives confidence that the procurement can proceed at pace.

A further £1.9bn is in procurement either as standalone NPD projects, such as the Aberdeen Western peripheral Route, Dumfries and Galloway Royal Infirmary and Ayrshire College or in the case of community health projects and schools through hub.

The full list of projects and their status is attached at Annex A. We continue to work with public sector partners to deliver the challenging procurement timescales agreed with those authorities and hence the construction investment profile associated with them. To date progress through procurement has been rapid and this provides comfort to forecasts of future capital profiles. However, given the complexity of the projects, the need to source competitive finance, often from international sources, and the more routine challenges such as land acquisition and planning consent, some uncertainty remains. In some cases a short delay to improve value for money may be the best course of action. It is also the case that any improved value for money achieved by lower than anticipated capital costs bid in competition, clearly good for the public sector overall, will lead to a reduced / delayed capital investment profile.

#### 4. Programme Challenges and Movements

The capital investment profile included in the 13-14 Draft Budget was developed in August 2012 and was the most up to date available when SFT reported to the Committee in January 2013. Throughout the year the pipeline information on SFT's website has been updated charting progress of projects. An update to the capital investment profile, based on project progress at August 2013 forms the basis of the capital investment profile figures in the 14-15 draft budget which remains the most up to date profile. The pipeline information for the market will be updated through this year.

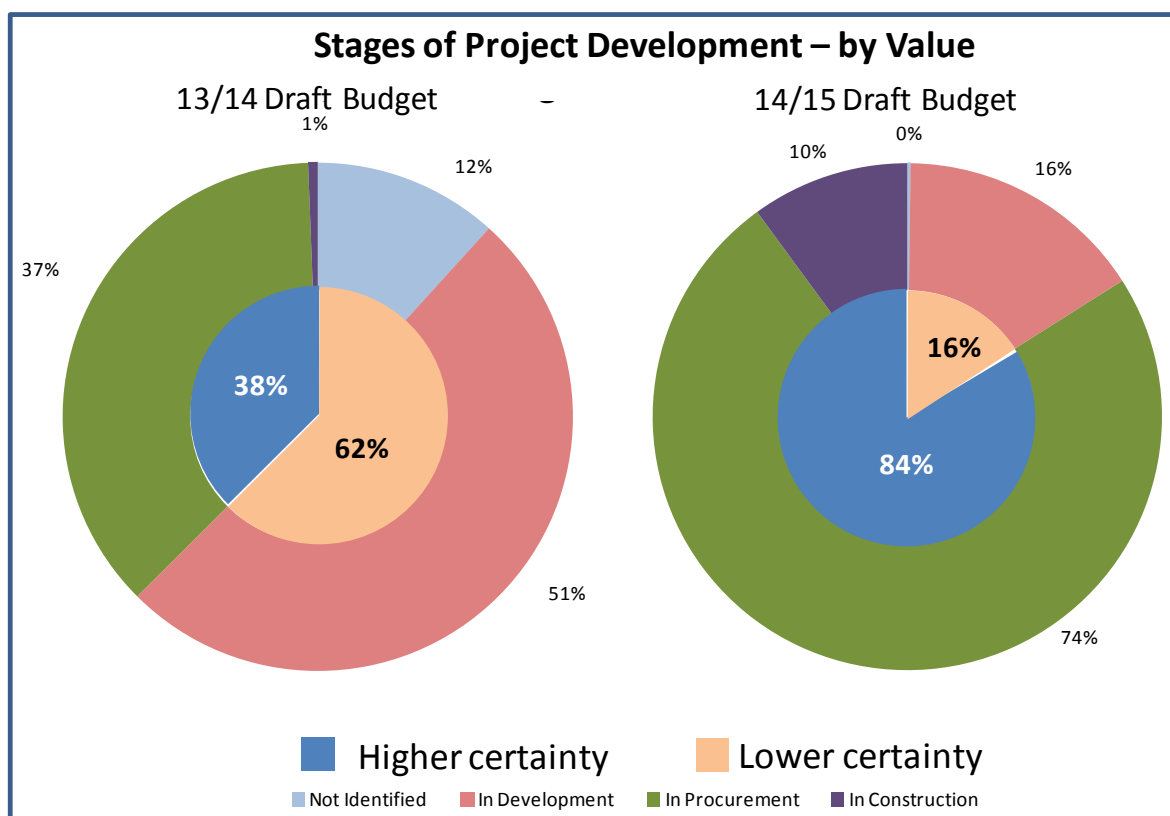
SFT recognises that there has been a significant reduction in anticipated capital investment through the NPD programme in both 2013-14 and 2014-15. Across these two years, there is a 24% reduction from £1,311m to £994m. This does not reflect a reduction in the programme overall, but the capital profile has moved out in time. We have remained clear that the profile depends on project progress and are keen to provide a detailed explanation of what has happened and why.

The majority of movement in the capital investment profile has been due to projects taking longer in initial development than anticipated, or projects which had been anticipated to be taken forward through hub as revenue funded projects being switched, for reasons of scale and hence financeability, to traditional capital funding. Audit Scotland recognises the "Initial Approval Stage" as the first point at which there is clarity about the overall value and purpose of the project, and it measures time and cost estimating accuracy from this point as the baseline in both Scottish Government<sup>2</sup> and Local Authority<sup>3</sup> Projects. SFT has been keen to meet industry demands for early pipeline information and has therefore published "best available information" for projects, or even anticipated programme investment prior to projects being identified, well in advance of this stage. At the time of the 13/14 draft budget, only 38% of projects by value had passed the Initial Approval stage. Significant progress has been made through the year in progressing projects through these early stages, with 84% by value now being past Initial Approval and hence having increased certainty of timetable. The chart overleaf illustrates the movement of projects through stages of development between information provided for the 13/14 and 14/15 Draft Budgets.

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<sup>2</sup> [http://www.audit-scotland.gov.uk/docs/central/2010/nr\\_110127\\_capital\\_investment.pdf](http://www.audit-scotland.gov.uk/docs/central/2010/nr_110127_capital_investment.pdf)

<sup>3</sup> [http://www.audit-scotland.gov.uk/docs/local/2013/nr\\_130314\\_major\\_capital\\_investment.pdf](http://www.audit-scotland.gov.uk/docs/local/2013/nr_130314_major_capital_investment.pdf)



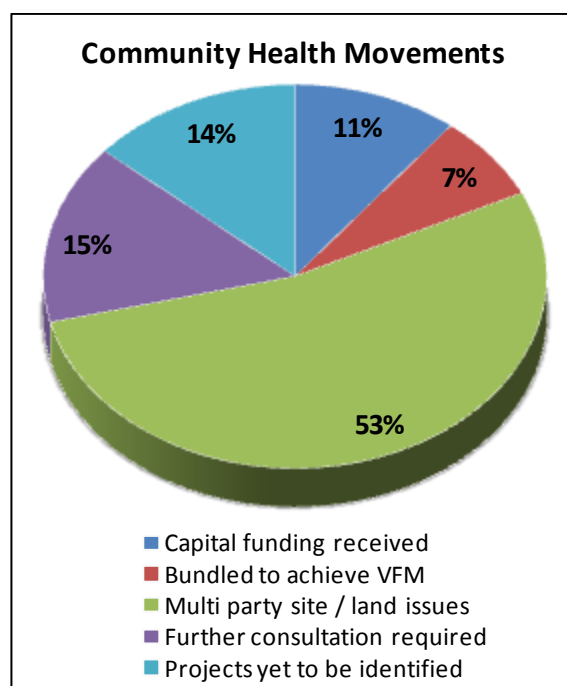
The movements break down by sector as follows:

In **Schools** the £46m reduction is as a result of slower than anticipated project development. In Summer 2012, many local authorities anticipated construction starting within 12-18 months which has not turned out to be the case as projects develop. The variation in time spent on early development can be very significant. Within one local authority with two schools in the programme, one school selected for revenue finance in 2010 and the other in 2012 will both open in 2016. One is a more complex site with co-location of a number of council facilities while the other is a relatively straightforward rebuild within the existing site. Overall, around 40% of NPD funded school projects remain at the pre-Initial Approval stage where estimates remain less certain. Examples of project development issues which have affected timescales include:

- **Land acquisition:** In some instances project development has identified that land acquisition is necessary to optimise the project. This has lengthened project timescales in at least 6 cases, in particular where compulsory purchase procedures are required.
- **Statutory Consultation:** At least 12 local authorities have identified during the development stage that amalgamation of a number of schools or moving schools to different locations may deliver the best long-term solution. In these situations significant consultation is necessary and statutorily required. These processes represent time well spent but have impacted on project development periods.

- Confirmation of Scope: Many local authorities are using the investment in new schools to leverage investment in their wider estate, building on SFT and wider asset management initiatives to enhance public service delivery and place making. An example of this is the recently opened Scottish Schools for the Future Programme capital funded pilot project at Lasswade where 6 community buildings including leisure, library, town hall, nursery and community cafe facilities have been brought into a modern and well-used building rather than simply replacing a school. This broader decision making can naturally extend timescales to create a quality community asset with multiple stakeholders. SFT has worked with Authorities to bring innovative combinations of capital and revenue funding into single projects, which has allowed overall funding agreements to be maintained and maximise early investment. In both Alford (Aberdeenshire), and James Gillespie's (Edinburgh) capital funded construction activity with a combined value of £9m, not included in the reported figures, but which would not have happened without the revenue funded investment programme, is currently being delivered in advance of concluding the revenue funded project agreements.

In **Community Health**, the £70m reduction in anticipated expenditure is because the 13/14 draft budget figures were based on early project identification and an anticipation that some projects were ready to move quickly into the hub process. The projects were at an earlier stage of development than had been anticipated with more work required before they can reach the Outline Business Case point at "Stage 1" of the hub development process. The figure opposite breaks down reasons for movement with further examples below. :



- The £4.5m Glenwood Health Centre in NHS Fife was envisaged to be part of a bundled revenue fund hub project in the East Central region. It was subsequently allocated capital funding and has therefore moved out of the revenue funded investment profile though industry will benefit in a timely manner from the construction activity which is now well progressed and the community will get its health centre as anticipated.
- The £9m Lochgilphead Mental Health facility in NHS Highland was originally identified as a stand-alone financed project. SFTs detailed review and liaison with the evolving financing marketplace identified that on its own the project was too small to be capable

of delivering good value and, following the approach developed for the Forres / Woodside / Tain bundle, it has now been combined with a new health centre at Inverurie in NHS Grampian to create a £19m bundled project. The Inverurie project is at an earlier stage of development and hence the Lochgilphead project is held back to allow it to be financed in the current market and maximise long-term value for money.

- The £32m bundled project including Gorbals and Woodside health centres and an Inverclyde care home has encountered complex issues at two of the locations. Both health centres create combined facilities that will each provide a health centre and GP facilities for NHS Greater Glasgow and Clyde and a day care centre for Glasgow City Council. These facilities will deliver economies of scale for both participants through the sharing of common facilities and an improved experience for service users. In Gorbals, a change in chosen site arising from the detailed consultation process resulted in the need to acquire a new site from Glasgow Housing Association. At Woodside, a complex land transaction with Glasgow City Council has been needed to deliver the preferred site. The bundling of the care home delivers a project of sufficient scale to form an efficient financed project and allows the care home element to go ahead where that may not have been possible on a stand-alone basis.

Now, with the projects being at a more advanced stage, the 14-15 figures are largely based on specific projects. It should be noted that of the 10 projects now individually identified, 6 remain at the pre-OBC stage where programme estimates cannot be firm.

In **Acute Health** progress has been good but as the individual projects are large, movement in dates during the early development phases of the RHSC/DCN and DGRI projects in particular have led to a significant profile reduction of £108m. Four out of the five projects are now in procurement with the critical Outline Business Case milestone achieved. In getting to that Initial Approval stage the RHSC and DCN project in NHS Lothian took additional time to achieve the significant milestone discussed in Section 3. The Dumfries and Galloway Acute Services Redevelopment Project took longer than anticipated to develop an affordable reference design which will meet the long term needs of the Heath Board and its community within an overall strategy including community hospital development and IT systems implementation. SFT was fully engaged in that extended project development through a design review process and is confident that it will lead to a better overall outcome for the healthcare system and improved value for money. There can be no substitute for developing the right project, even if it takes longer than originally envisaged. The DGRI project had its OBC approved in June 2013 and is now in procurement with three excellent bidders having prequalified. This strength of competition has been a feature across the programme, driven by a market keen to work in Scotland where the project pipeline is seen as strong and project delivery well coordinated by SFT and efficiently managed by the procuring Authorities.

In **Roads**, both the M8 bundle and the AWPR are now in procurement and making good progress. Some programme movements in the pre-Initial Approval stage and construction profile movements have created large value changes of £108m due to the scale of these

projects. Again, SFT has fully supported Transport Scotland in its development and delivery of these complex projects and believes that the innovations delivered in both technical solutions and financing will deliver long-term benefits in value for money. Time estimates for these projects are more robust now that the Initial Approval stage is passed, though capital costs, and hence profile, will only be finalised at contract award, following the strong competition and potential innovative approach inherent in the civil engineering sector.

In the **Colleges** sector there has been very little movement overall, with a £5.5m saving to date caused by below budget capital costs which result in improved overall value for money and some minor programme movement in the procurement phase of the Ayrshire college which is not anticipated to lead to a change in opening date.

Overall for the 17 projects that have moved from development into the procurement phase, either as stand alone projects or through hub, progress has been excellent with project teams largely delivering on timescales which have been deliberately set to be challenging. Given the scale of the programme, one of the biggest of its type in Europe, and the challenges in the financial markets, sourcing value for money long term finance, we would like to record our thanks to these project teams, delivering procurements using SFT's simplified approach and standard contract substantially faster than had previously been achieved.

## 5. Recommendations of the Committee

The Committee recommended in its report on the draft budget for 2013-14 that further details on the reasons for re-forecasting the estimated NPD-financed capital investment should be provided, and that all future draft budget reports should include updated estimates.

SFT provided detail in its evidence session of 16 January 2013 and followed up with written details on individual projects on 5 February. Updates for the market on the NPD pipeline (including both stand-alone and hub projects) have been published by SFT throughout the year in February, April and September 2013.

The February update was the first point at which project by project information could be included for the pipeline of hub community health and schools projects albeit that the majority of these projects remained in the early stages of project development. SFT published that "best available" information as a guide to the marketplace and other stakeholders.

Scottish Government has published further information in the 2014-15 draft budget for which SFT has provided information on the NPD pipeline and we trust that these additional pieces of information meet with the Committee's recommendations.

## 6. Conclusion

The NPD programme is one of the largest of its type in Europe, delivering additional investment capacity at a time of reduced capital budgets and allowing projects to go ahead when they would otherwise have had to wait for budgets to become available. It is supporting high-quality jobs both in the construction phase, as measured by the value in the capital profile, and in the procurement phase where many of the larger projects are currently being designed, but where the value is not captured in the profile information.

Timescales for these projects were published at an earlier stage than would previously have been the case, reacting to industry demands for early pipeline information in order to plan their businesses. This information has been useful to business and has contributed to the strong market interest in all the projects advertised. Furthermore, the timescales assumed and set were deliberately challenging and not risk weighted, in order to galvanise action.

As discussed in detail above, these challenging timescales have not been met in all cases, as the complex development of increasingly multi-user and multi-Authority facilities progress, land and stakeholder consultation issues are resolved and projects are procured and financed in an ever-changing environment. Based on historical precedents, timescales would have been significantly extended had it not been for SFT's simplification and innovation.

The overall additionality of infrastructure investment in Scotland delivered by this, and other SFT programmes such as the National Housing Trust and Tax Incremental Financing are of significant impact. The lasting value to Scotland is maximised by delivering the right projects as rapidly as is reasonably possible, and that continues to be the overriding objective of SFT and the public bodies across Scotland with whom we work.

**Annex A      Current Pipeline of Revenue Funded Projects**

As published on SFT website:

[http://www.scottishfuturestrust.org.uk/files/publications/Pipeline\\_of\\_Revenue\\_Funded Projects NPD and hub September 2013.pdf](http://www.scottishfuturestrust.org.uk/files/publications/Pipeline_of_Revenue_Funded_Projects_NPD_and_hub_September_2013.pdf)



Scottish Futures Trust

# Revenue Funded Infrastructure Investment in Scotland

c. £2.5 billion revenue funded pipeline project information (Based on the best information available as at September 2013)

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PAGE 8	EDUCATION (Schools)

## Programme Summary

Values include irrecoverable VAT. Values include SG revenue supported elements of project only. I.e. where capital funding is also anticipated, this is not included as part of revenue programme reporting)

	Overall Programme		Currently In Procurement or hub development		Currently In Construction	
	Number	Value	Number	Value	Number	Value
TRANSPORT	2	c. £890m	2	c. £890m	-	-
HEALTH	15	c. £750m	12	c. £660m	2	c. £29m
EDUCATION	32	c.£ 820m	18	c. £300m	2	c. £238m
hub subtotal	(39)	(c. £780m)	(25)	(c. £470m)	(2)	(c. £29m)
NPD subtotal	(10)	(c. £1680m)	(7)	(c. £1,380m)	(2)	(c.£238m)
<b><u>TOTAL</u></b>	<b><u>49</u></b>	<b><u>c. £2,460m</u></b>	<b><u>32</u></b>	<b><u>c. £1,850m</u></b>	<b><u>4</u></b>	<b><u>c. £270m</u></b>

## Estimated Capital Spend Profile - Current Spending Review Period

(Values based on SFT estimates using standard S-curves over relevant construction periods. Values reflect out-turn construction costs, i.e. include inflation assumptions, and include irrecoverable VAT.

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
<b><u>TOTAL</u></b>	<b>£185m</b>	<b>£809m</b>	<b>£932m</b>

<b>TRANSPORT</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY</u></b>	<b><u>NPD VALUE Excl VAT</u></b>	<b><u>OJEU TIMING</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
M8 M73 M74 Motorway Improvements	<p>The M8 M73 M74 Motorway Improvements is a scheme to manage and maintain a section of the central Scotland motorway network. The scheme includes the construction of a new junction on the M74 at Raith, upgrading of the A8 between Baillieston and Newhouse to complete the motorway between Glasgow and Edinburgh, and widening improvements to sections of the M8, the M73 and the M74.</p> <p>Further information can be found via:  <a href="http://www.transportscotland.gov.uk/projects">http://www.transportscotland.gov.uk/projects</a></p>	Transport Scotland	c. £415m (2011 prices)	<p>In procurement</p> <p><a href="#">Click Here for OJEU</a></p>	Q4 2013 (42 months)	Preferred Bidder
Aberdeen Western Peripheral Route (AWPR)/ Balmedie to Tipperty bundle	<p>The AWPR “bundle” comprises the AWPR and the A90 Balmedie to Tipperty upgrade. The AWPR will act both as a local distributor road, providing access to key locations in the city of Aberdeen and as a bypass for strategic traffic which does not need to enter the city on its way to and from other parts of the North-east. The A90 Balmedie to Tipperty project will complete the missing link in dual carriageway between Aberdeen and Ellon.</p> <p>Further information can be found via:  <a href="http://www.transportscotland.gov.uk/projects">http://www.transportscotland.gov.uk/projects</a></p>	Transport Scotland/ Aberdeen City Council	£472m (Q4 2012 prices)	<p>In procurement</p> <p><a href="#">Click here for OJEU</a></p>	Q4 2014 (42 months)	In Competitive Dialogue

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

<b>HEALTH (ACUTE)</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY</u></b>	<b><u>VALUE (Excl VAT)</u></b>	<b><u>OJEU TIMING</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
Royal Hospital for Sick Children /Dept. of Clinical Neurosciences	Construction and Hard Facilities Management services for c.48,000 sq m hospital facility for sick children and department of clinical neuroscience at the Royal Infirmary of Edinburgh site.	NHS Lothian	c. £155m*	In procurement <a href="#">Click Here for OJEU</a>	Q4 2014 (29 months)	In Competitive Dialogue
NHS Ayrshire & Arran Acute Mental Health & North Ayrshire Community Hospital	Development of new inpatient facilities for acute mental health services and for North Ayrshire Community Hospital.	NHS Ayrshire	£48m*	In procurement <a href="#">Click here for OJEU</a>	Q3 2014 (21 months)	In Competitive Dialogue
Scottish National Blood Transfusion Service National Centre Project	New build blood, tissues and cells processing and testing centre in Edinburgh. Preferred site identified at Heriot-Watt Research Park.	NHS National Services Scotland	c. £36m*	In procurement <a href="#">Click here for OJEU</a>	Q3 2014 (20 months)	In Competitive Dialogue
NHS Dumfries & Galloway Royal Acute Services Redevelopment Project	Construction and Hard Facilities Management services for c. 60,000 sq m facility for Acute services in Dumfries.	NHS Dumfries & Galloway	c. £203m*	In procurement <a href="#">Click here for OJEU</a>	Q2 2015 (36 months)	In Competitive Dialogue

\*Business Case approved capped value which is subject to inflationary movements up until the Invitation for Final Tenders (IFT) stage of procurement

\*\* IFT capped value

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

Balfour Hospital, Orkney	Development of Balfour hospital and Kirkwall dental centre in Orkney. This project is to be pursued as a Non-Profit Distributing project.	NHS Orkney	c. £60m (Estimate)	TBC	TBC	Outline Business Case Development
<b>TOTAL ACUTE</b>			<b><u>c. £500m</u></b>			
<b>HEALTH (hub)</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY / hub TERRITORY</u></b>	<b><u>ESTIMATED VALUE</u></b> (SG revenue funded element of project, Excl. VAT )	<b><u>OJEU</u></b> N/A(To be delivered through hub partnerships)	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
Aberdeen Health Village	NHS Grampian, Aberdeen City Council and Grampian Police Services are jointly delivering a Community Healthcare Village which will accommodate a range of diagnostic and treatment services within a single location, delivering various services to the local community. The DBFM project is currently in construction.	North hub	£15.5m	N/A	April 2012 (18 months) (In construction)	In Construction
Forres/Tain Woodside	This is a joint DBFM project comprising three new primary care facilities between NHS Grampian (Forres Community Health and Care Centre and Woodside Medical Group Premises) and NHS Highland (Tain Health Centre).	North hub	£13.6m	N/A	April 2013 (12 months)	In Construction
Redesign of Mental Health Facilities Argyll & Bute/ Inverurie Health Centre	This DBFM project comprises the delivery of two health care facilities in the NHS Highland area: <b>Lochgilphead</b> - A new 22 bed acute mental health inpatient unit. <b>Inverurie</b> – New Health Centre in Inverurie.	North hub	TOTAL: £19m  (c. £10m)  c. (£9m)	N/A	Q2 2015 (18 months)	In hub Development

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

Royal Edinburgh Hospital	This is phase 1 of a multi phase development and will provide new facilities for 185 mental health inpatients. The DBFM project includes a full site master planning exercise and infrastructure development. Total project cost is £41m with NHS Lothian funding the balance.	South East	c. £33m	N/A	Q4 2014 (26 months)	In hub Development
NHS Lothian Partnership Centre Bundle	A joint DBFM project for the provision of three health facilities:  <b>Blackburn</b> - New Partnership Centre in Blackburn, West Lothian. GPs, clinical and office accommodation for a range of community health and council services. <b>Firhill</b> - Redevelopment of Firhill Health Centre to create a new facility. Two GP practices, NHS community services and office accommodation. <b>NW Edinburgh Partnership Centre (Muirhouse)</b> – Full range NHS Primary care services plus Local authority adult Social Care and Children & Families and Services.	South East	TOTAL: £26m  (£7m)  (£7m)  (£12m)	N/A	Q3 2014 (15 months)	In hub Development
Pharmaceutical Specials Service	A national NHS DBFM project for the production of unlicensed medicines (eg chemotherapy drugs and methadone) to be located at Ninewells Hospital in Dundee.	East Central	c. £19m	N/A	Q1 2015 (20 months)	In hub Development
Stirling Care Village	A joint DBFM project, NHS Forth Valley/Stirling Council, co-locating a care home, primary care, and a minor injuries unit on the Stirling Community Hospital site.	East Central	£20m	N/A	Q1 2015 (24 months)	In hub Development

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

Maryhill & Eastwood Health Centre Bundle	A DBFM project for the provision of two health facilities:  <b>Maryhill</b> - a new health centre in Maryhill, Glasgow. Estimated size: 4374m2 and <b>Eastwood</b> - a new Health and Care Centre in the Eastwood area of East Renfrewshire CHCP. The building replaces a number of CHCP NHS and Social Work buildings, and will provide space for up to four General Practices. Estimated size: 6,190m2.	West	TOTAL: £22m  (c. £12m)  (c. £10m)	N/A	Q4 2013  (15 months)	In hub Development
Gorbals, Woodside Health Centres and Inverclyde Adult and Older Peoples Continuing Care Bundle	A DBFM project for the provision of three health facilities:  <b>Gorbals</b> - a new health centre in Gorbals, Glasgow. Estimated size: 5,154m2. <b>Woodside</b> - a new health centre in Woodside, Glasgow. Estimated size: 4,596m2. <b>Inverclyde</b> - a new health facility in Inverclyde. Estimated size 2,600m2.	West	TOTAL: £32m  (c. £13m)  (c. £12m)  (£7m)	N/A	Q2 2014  (15 months)	In hub Development
NHS Lanarkshire Bundle	Single DBFM Project which incorporates three individual health centres:  <b>Wishaw</b> - (c. 8,000m2) <b>East Kilbride</b> (Hunter) - (c. 6,400m2) <b>Kilsyth</b> (c. 2,200m2).	South West	TOTAL: £44m  (£20m) (£17m) (£7m)	N/A	Q1 2014  (19 months)	In hub Development
<b>TOTAL hub Health</b>	Further information on the wider hub pipeline can be found at: <a href="http://www.scottishfuturestrust.org.uk/our-work/hub/">http://www.scottishfuturestrust.org.uk/our-work/hub/</a>		<b>c. £250m</b>			

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

<b>EDUCATION (Colleges)</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY</u></b>	<b><u>VALUE (Incl. VAT)</u></b>	<b><u>OJEU TIMING</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
Glasgow College Estate	Modernisation of the Glasgow College estate. The new estate will consolidate and complete the process of integration and curriculum realignment which has followed the creation of City of Glasgow College. The development will result in campuses on the City and Riverside sites.	City of Glasgow College	c. £193m***	Procurement Concluded	Q3 2013  (36 months)	In Construction
Inverness College	Provision of a new campus for Inverness College on part of the Beechwood Farm site to the south-east of the City and re-provision of the Scottish School of Forestry on its existing Balloch site.  The new College campus will be a key element in the development of the wider site as a centre for education, research, sports and business facilities.	Inverness College	c. £45m***	Procurement Concluded	Q2 2013  (24 months)	In Construction
Ayrshire College (new Kilmarnock Campus)	Provision of a new campus for Ayrshire College at the Kilmarnock town centre site previously occupied by Diageo.	Ayrshire College	£48.5m**	In procurement  -Final Tenders	Q4 2013/ Q1 2014  (24 months)	Competitive Dialogue Closed
<b><u>TOTAL COLLEGES</u></b>			<b><u>c. £287m</u></b>			

\*Business Case approved capped value which is subject to inflationary movements up until the Invitation for Final Tenders (IFT) stage of procurement

\*\* IFT capped value

\*\*\* Financial Close value

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.



<b>EDUCATION (Schools – Phase 1)</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY</u></b>	<b><u>ESTIMATED VALUE</u></b> (SG Revenue Funded element of project, Excl. VAT)	<b><u>OJEU TIMING</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
Wick High School	DBFM Secondary School in the Highlands. Procurement route is via North hub.	The Highland Council	c. £14m	N/A	Q1 2014 (18-24 months)	In hub Development
Brechin High School	DBFM Secondary School in Angus. Procurement route is via East Central hub.	Angus Council	c. £15m	N/A	Q1 2014 (18-24 months)	In hub Development
Dalbeattie High School	DBFM Secondary School in Dumfries & Galloway. Procurement route is via South West hub.	Dumfries & Galloway Council	c. £7m	N/A	Q1 2015 (12-18 months)	In hub Development
Garnock Academy	DBFM Secondary School in North Ayrshire. Procurement route is via South West hub.	North Ayrshire Council	c. £16m	N/A	Q4 2014 (18-24 months)	Pre hub Development*
Clyde Valley High School	DBFM Secondary School in North Lanarkshire. Procurement route is via South West hub.	North Lanarkshire Council	c. £12m	N/A	Q2 2014 (18-24 months)	In hub Development
Ayr Academy	DBFM Secondary School in South Ayrshire. Procurement route is via South West hub.	South Ayrshire Council	c. £12m	N/A	Q1 2015 (18-24 months)	Pre hub Development*
James Gillespies High School	DBFM Secondary School in Edinburgh. Procurement route is via South East hub.	The City of Edinburgh Council	c. £19m	N/A	Q4 2013 (24-30 months)	In hub Development
Dunoon/ Kirn/ St Mun's Primary School	DBFM Primary School in Argyll & Bute. Procurement route is via North hub.	Argyll & Bute Council	c. £6m	N/A	Q3 2015 (12-18 months)	Pre hub Dev. (Public Consultation by A&B Council)

\*Strategic Support Services for project development being provided by HubCo.

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

<b>EDUCATION (Schools – Phase 2)</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY</u></b>	<b><u>ESTIMATED VALUE £m</u></b>	<b><u>OJEU TIMING</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
Boroughmuir High School	DBFM Secondary School in Edinburgh. Procurement route is via South East hub.	The City of Edinburgh Council	c. £16m	N/A	Q1 2015 (18-24 months)	Pre hub Dev. <i>(Design Development by CEC)</i>
Campbeltown Grammar	DBFM Secondary School in Argyll & Bute. Procurement route is via North hub.	Argyll & Bute Council	c. £7m	N/A	Q3 2015 (12-18 months)	Pre hub Dev. <i>(Project Preparation by A&amp;B Council)</i>
<b>EDUCATION (Schools – Phase 3)</b>	<b><u>PROJECT DESCRIPTION</u></b>	<b><u>PROCURING BODY</u></b>	<b><u>ESTIMATED VALUE £m</u></b>	<b><u>OJEU TIMING</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>STATUS</u></b>
Torry & Kincorth Academies	DBFM Secondary School in Aberdeen. Procurement route is via North hub.	Aberdeen City Council	c. £21m	N/A	Q1 2015 (18-24 months)	Pre hub Dev. <i>(Public Consultation by Aberdeen City)</i>
Alford Community Campus	DBFM Community Campus School in Aberdeenshire. Procurement route is via North hub.	Aberdeenshire Council	c. £13m	N/A	Q1 2014 (18-24 months)	In hub Development
Forfar Academy	DBFM Secondary School in Forfar. Procurement is via East Central hub.	Angus Council	c. £16m	N/A	Q3 2014 (18-24 months)	In hub Development
Oban High School	DBFM Secondary School in Oban. Procurement route is via North hub.	Argyll & Bute Council	c. £17m	N/A	Q3 2015 (18-24 months)	Pre hub Dev. <i>(Public Consultation by A&amp;B Council)</i>
Crichton 15+ Secondary School	DBFM Secondary School in Dumfries & Galloway. Procurement route is via South West hub.	Dumfries & Galloway Council	c. £17m	N/A	Q2 2016 (18-24 months)	Pre hub Dev. <i>(Brief Development by D&amp;G Council)</i>
Baldrigon Academy	DBFM Secondary School in Dundee. Procurement route is via East Central hub.	Dundee City Council	c. £16m	N/A	Q4 2014 (18-24 months)	In hub Development)
Kilmarnock & James Hamilton Academies	DBFM Secondary School in East Ayrshire. Procurement route is via South West hub.	East Ayrshire Council	c. £18m	N/A	Q1 2015 (18-24 months)	Pre hub Dev. <i>(Public Consultation by E. Ayrshire Council)</i>
Barrhead High School	DBFM Secondary School in East Renfrewshire. Procurement route is via West hub.	East Renfrewshire Council	c. £13m	N/A	Q3 2014 (18-24 months)	In hub Development

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

Buckhaven & Kirkland High Schools	DBFM Secondary School in Fife. Procurement route is via East Central hub.	Fife Council	c. £23m	N/A	Q3 2014 (18-24 months)	In hub Development
Inverness Royal Academy	DBFM Secondary School in Inverness. Procurement route is via North hub.	Highland Council	c. £17m	N/A	Q3 2014 (18-24 months)	In hub Development
Newbattle High School	DBFM Secondary School in Midlothian. Procurement route is via South East hub.	Midlothian Council	c. £17m	N/A	Q3 2014 (18-24 months)	In hub Development
Elgin High School	DBFM Secondary School in Elgin. Procurement route is via North hub.	Moray Council	c. £12m	N/A	Q3 2014 (18-24 months)	In hub Development
Ardrossan & Auchenharvie Academies	DBFM Secondary School in North Ayrshire. Procurement route is via South West hub.	North Ayrshire Council	£21m	N/A	Q4 2014 (18-24 months)	Pre hub Dev. <i>(Public Consultation by N. Ayrshire Council)</i>
Greenfaulds High School	DBFM Secondary School in Cumbernauld. Procurement route is via South West hub.	North Lanarkshire Council	£17m	N/A	Q2 2014 (18-24 months)	In hub Development
New Secondary School	DBFM Secondary School in Perth & Kinross. Procurement route is via East Central hub.	Perth & Kinross Council	c. £15m	N/A	Q2 2016 (18-24 months)	Pre hub Dev. <i>(Brief Development by P&amp;K Council)</i>
Kelso High School	DBFM Secondary School in Kelso. Procurement route is via South East hub.	Scottish Borders Council	c. £12m	N/A	Q3 2014 (18-24 months)	In hub Development
Anderson High School	DBFM Secondary School in Shetland. Procurement route is via North hub.	Shetland Islands Council	c. £27m	N/A	Q3 2014 (18-24 months)	In hub Development
Marr College	DBFM Secondary School in South Ayrshire. Procurement route is via South West hub.	South Ayrshire Council	c. £17m	N/A	Q1 2015 (18-24 months)	Pre hub Dev* <i>(Brief Development by S. Ayrshire Council)</i>
Our Lady and St Patricks High School	DBFM Secondary School in West Dunbartonshire. Procurement route is via West hub.	West Dunbartonshire Council	c. £14m	N/A	Q3 2014 (18-24 months)	In hub Development
<b>TOTAL SCHOOLS</b>	<b>Phase 1, 2 &amp; 3</b>		<b><u>c. £530m</u></b>			

\*Strategic Support Services for project development being provided by HubCo.

Where projects are pre-procurement or pre hub development, the revenue funding package will enable projects to proceed to procurement or hub development as soon as the relevant health board or local authority concludes its project preparation.

**Finance Committee**

**26th Meeting, 2013 (Session 4), Wednesday 30 October 2013**

**Land and Buildings Transaction Tax – Six Month Progress Update**

**Purpose**

1. The purpose of this paper is to provide background information for the Committee's oral evidence session with Revenue Scotland and Registers of Scotland (RoS).

**Background**

2. The [Land and Buildings Transaction Tax \(LBTT\) Bill](#) received royal assent on 31 July 2013.

3. LBTT, along with Landfill Tax and the Scottish Rate of Income Tax are being devolved to Scottish Ministers as a result of the Scotland Act 2012. The Scottish Government (the Government) has created a new body, Revenue Scotland (to be established on a statutory basis by the forthcoming Revenue Scotland and Tax Powers Bill), which will be responsible for administering the newly-devolved taxes.

4. The Government has stated that the administration and collection of LBTT will be undertaken by Registers of Scotland on behalf of Revenue Scotland.

**Progress Update**

5. The Finance Committee was the lead committee and published its [Stage 1 Report](#) on 27 March 2013.

6. For ease of reference, relevant extracts from the Committee's Report are attached at Annexe A.

7. The Report stated that—

“The Committee intends to monitor and scrutinise the implementation and delivery of LBTT and invites RoS and Revenue Scotland to provide a 6-monthly progress report both in writing and in oral evidence.”

8. Revenue Scotland and RoS wrote jointly to the Clerk on 4 October providing their first six-monthly progress report (attached at Annexe B). A high-level timeline of key dates and deadlines was also provided and this is also attached.

**Conclusion**

9. The Committee is invited to consider this information and the attached letter and timeline in its oral evidence session with Revenue Scotland and RoS.

**Alan Hunter**  
**Assistant Clerk to the Committee**

## Annexe A

**Extracts from Finance Committee Stage 1 Report on Land and Buildings  
Transaction Tax**

**ADMINISTRATION OF THE TAX**

**The role of Revenue Scotland and Registers of Scotland (RoS)**

55. The SG has published a consultation on its proposed Bill on tax management which will include the creation of Revenue Scotland as a non-Ministerial department which will be staffed by civil servants. The SG proposes that its principal function will be “to ensure the efficient and effective care and management of the devolved taxes and that all tax receipts are paid to the Scottish Consolidated Fund.” Witnesses generally welcomed the establishment of Revenue Scotland. For example, the LSS suggests that it will have an important role in devising “an effective audit and enquiry system” which “would increase compliance with LBTT and result in more tax being collected.”

56. Witnesses also generally welcomed the role of RoS in the collection of LBTT but emphasised the need for it to be adequately resourced and for sufficient time to be allowed to test the new collection system before it goes live. The CIT state in their written submission that: “One of our concerns from the start of this process has been the availability of resources, both financial and in manpower terms.”

*Compliance Activity*

57. The FM states that Revenue Scotland will be primarily responsible for compliance but that further work is planned in deciding upon the respective roles of Revenue Scotland and RoS including in relation to compliance activity. The FM includes £350,000 in staff costs for compliance activity within the estimated running costs for Revenue Scotland. These costs relate to the collection of both LBTT and Landfill Tax.

58. ICAS state in written evidence that “in countering tax avoidance, an experienced and effective compliance and enforcement operation will need to be resourced” and that any inadequacy in the Tax Authority or Registers of Scotland: “could have adverse consequences for the compliance regime; a false economy.”

59. In response to questioning from the Committee on providing sufficient resources to enforce anti-avoidance measures the Bill Team stated: “The resource plans for Revenue Scotland are still at a fairly early stage, but we believe that we have made adequate allowance in those plans for what we have called compliance activity.”

*IT Systems*

60. Of particular concern to witnesses is the readiness and effectiveness of RoS’s IT system. The LSS suggest that the SDLT online system is overly complex and that it “is essential that the new online system for LBTT is ready in sufficient time for it to be adequately tested by practitioners and for guidance to be prepared well before 2015.” The CIT believe that designing the on-line system should be a “fairly

urgent matter” and that “not too many things should be hardwired into it.”<sup>62</sup> The SPF states that it will “be vital for the government to ensure that IT systems and the administrative infrastructure is in place well before 1 April 2015 to ensure a smooth transitional period from HMRC to Scottish Ministers as the tax authority.”

61. Audit Scotland recently published a report on managing ICT contracts which included the audit of ICT projects within the RoS and, in particular, a ten year Strategic Planning Agreement (SPA) which was agreed with BT in 2004. Key findings of the Audit Scotland report included:

- “Terms of SPA meant BT was intended to act as ICT provider and to also have Intelligent Client role. This contributed to RoS having insufficient in-house ICT skills and experience with which to understand and manage the interdependencies of individual projects, and to some ICT projects being delivered late or not at all.
- Two individual projects within the programme now cancelled, with costs of £6.7 million written off in March 2011. Total spend to March 2012 on SPA is £112 million.
- RoS now considers the partnership outsourcing of all ICT was inappropriate and a more traditional client-supplier relationship would have been better. RoS has terminated the SPA meaning that the contract will end 20 months early. Level of compensation payable to BT is currently being negotiated.”

62. Audit Scotland concludes that: “While RoS is developing plans to bring in additional specialist support where necessary, any lack of in-house ICT skills and experience means that it will need to manage closely a range of risks associated with the transfer of operations from BT.”

63. RoS acknowledged in oral evidence to the Committee that there was a problem with two particular IT projects “which resulted in an impairment in our 2010-11 accounts.” However, they went on to say that since then “we have carried out a considerable review of our governance and financial reporting and the controls that we put in place for projects.” In response to questioning from the Committee the Cabinet Secretary stated that he was content that RoS would be able to deliver the necessary IT system to support LBTT.

64. The Committee also considered the estimated costs for the new IT system. The FM includes provision for £75k to build the new LBTT system. However, in response to questioning from the Committee RoS also advised that the staff set-up costs of £250k is mainly the cost of RoS’s internal IT development staff. RoS confirmed that they were content that this level of funding should be sufficient to design and build the new system and that “there is sufficient contingency within them.”

#### *Automated Registration of Title to Land (ARTL)*

65. The CMLS support continuing the role of the RoS in the collection of LBTT but emphasise that lessons need to be learned from the ARTL. In particular, they suggest “there have been issues around its robustness, speed and ease of use” and therefore, “if ARTL is to be replaced with a system which will also deal with the on line payment of LBTT then it is vital that these issues are addressed in it.”

Brodies raised a similar point in written evidence: “It is essential that both the LBTT system and the ARTL system work smoothly separately and together and that all teething problems have been addressed before the systems go live.” They emphasise that RoS should be given adequate resources to “facilitate the smooth introduction and subsequent day to day operation of the LBTT system.” Given that LBTT and ARTL will be operating in tandem the CIT recommend that sufficient time and resources are “made available to have a fully working, fully tested system (by external users as well as Registers of Scotland) in time for the introduction of LBTT.”

*Customer Helpdesk and Guidance*

66. The proposed duties for Revenue Scotland within the SG’s consultation on a Tax Management Bill include the provision of information and guidance to taxpayers. The FM includes annual staff running costs of £240k for Revenue Scotland to manage web and print communications, a “limited helpline” and complaints. It also includes non-staff running costs of £50k for website maintenance and updating of on-line guidance. In relation to RoS the FM includes staff running costs of £130k for an e-services helpdesk with 4 staff to provide administrative advice but not tax advice. It also includes staff running costs of £60k for the provision of a “complex inquiry helpdesk” with one member of staff as a “referral point from e-Services Helpdesk for complex cases.”

67. RoS state in written evidence that they are in dialogue with Revenue Scotland regarding what role, if any, they will have in LBTT compliance and related to this, the provision of a customer helpdesk. In oral evidence to the Committee they further explained that: “We view compliance as a role primarily for Revenue Scotland” and “we will work with it closely in the next three months to identify precisely where the demarcation line between compliance and collection should be.” They have, therefore, assumed that: “our advice and guidance role, for example, will relate more to administration of form filling than it will to providing guidance on detailed taxation matters.” However, they also stated that: “We do not know whether our role will be simply to give guidance on filling in the online form or to be more involved in advising on aspects of the tax. At the moment, we think that our role is more likely to be on the former.”

68. In response to questioning from the Committee on the staffing levels for the customer helpdesk RoS stated that: “having four staff will be sufficient for the day to day administrative calls” but that “if someone asked whether it is valid to apply relief X, Y or Z, that would be an area in which we would expect Revenue Scotland’s input.” This raises the question of how the public will know whether to contact Revenue Scotland or RoS with a query about LBTT. In response to the Committee RoS stated that: “we are aware that it is a key issue and that we will explore it over the course of this year and into the next with our key customer groups and with Revenue Scotland and HMRC.”

69. The LSS argue that the current HMRC helpline for SDLT is of little use and that: “Consideration should be given to adequately staffed LBTT helplines or drop-in centres in addition to comprehensive and easily accessible guidance.”

70. Brodies also support the introduction of a helpline staffed by “adequately trained specialist personnel.” They state in written evidence that: “The lack of technically trained staff at the HMRC helpline has been very frustrating for those of completing SDLT Returns on behalf of clients.”

71. ICAS state that—

“One area of potential difficulty is in relation to information assistance to taxpayers. Whilst the practical experience of the reporting system will be with Registers of Scotland, who might be expected to offer a helpline or information service to assist tax filings, questions of principle, or tax dispute, the clearance of complex transactions and policy decisions needed to determine those answers may be expected to be retained at Revenue Scotland.”

**72. The Committee recognises that LBTT is not due to be implemented until April 2015 but is nevertheless concerned about the current lack of clarity regarding the respective roles of Revenue Scotland and RoS especially in relation to compliance activity and recommends that this is addressed as a matter of urgency.**

**73. The Committee notes that RoS have developed “a set of milestones and a set of key dates for key deliverables” and will invite the RoS to provide this information and also ask Revenue Scotland to provide similar information.**

**74. The Committee intends to monitor and scrutinise the implementation and delivery of LBTT and invites RoS and Revenue Scotland to provide a 6 monthly progress report both in writing and in oral evidence.**

**75. The Committee is concerned that while the FM makes provision for an e-Services Helpdesk and complex enquiry helpdesk within RoS there only appears to be provision for a “limited helpline” within Revenue Scotland. The Committee asks the SG to provide further details on the proposed Revenue Scotland helpline including its function, an estimate of costs, staffing levels and whether it will be staffed by adequately trained specialist personnel.**

### **Payment Arrangements**

76. The PM states that the Bill “makes provision for a tax which should be as simple as possible to understand and pay and which will place the minimum administrative burden on the taxpayer or their agent and on the tax authority.” The intention is that tax returns and payment for LBTT should primarily be done electronically and that taxpayers should have up to 30 calendar days both to submit an LBTT return and to pay any tax due.

### *Registration*

77. The PM points out that registration plays a more important role in the Scottish legal system than at a UK level. At present, payment of SDLT is not required prior to registration. However, payment of LBTT will be required prior to registration and



this has caused some concern among witnesses. Pinsent Masons argue that this requirement is “unnecessarily restrictive” and that they are not aware of any evidence which suggests that the current approach results in a material loss of revenue. On this basis they invite the SG to reconsider the revised approach under LBTT.

78. The LSS state in written evidence that “this could cause serious difficulties as registration is extremely important in relation to land in Scotland, and payment of LBTT should not impede the registration process.” However, the PM states that the SG is aware of these concerns and that the Bill: “provides that tax is treated as paid if ‘arrangements satisfactory to the tax authority’ are made for payment of the tax.” The LSS note this in their written submission and state that they:

“will be keen to consider the proposed arrangements and guidance in more detail to ensure that the system will not cause any practical difficulties for solicitors or their clients in relation to the completion of property transactions and the registration process.”

**79. The Committee notes that the CMLS are content with the principle of payment prior to registration on the basis that the system of “advance notices” under the Land Registration etc. (Scotland) Act 2012 are introduced before LBTT comes into force.**

### **Transitional Arrangements**

80. HMRC advise in a written submission that there will be costs for the SG arising from work which they will need to carry out in support of the devolution of SDLT. This relates to “IT and business changes to enable systems to be ‘switched off’ and costs for communications including publicity and guidance.” It states that: “Work is being undertaken to provide costings and an initial estimate will be produced during Summer 2013.” The FM does not include an estimate of what these costs might be. Rather, the FM states: “HMRC has been asked to provide an estimate of these likely costs and offsetting savings as soon as possible and these estimates will be provided to the Parliament. However, further planning work needs to be undertaken before estimates are available.”

81. In response to questioning from the Committee the Cabinet Secretary stated HMRC have provided an indicative figure of costs in excess of £500k but that these costs were not included in the FM as the Scottish Government is awaiting a definitive figure from HMRC.

**82. The Committee asks why the indicative costs provided by HMRC were not included in the FM given that the requirement of the Standing Orders is to provide “best estimates” and not a definitive figure.**

**83. The Committee also asks that the SG keeps it fully informed of the costs of HMRC’s involvement in the transitional arrangements. The Committee will also seek an update from HMRC when it takes evidence from them on 8 May.**

**Annexe B****Land and Buildings Transaction Tax – Six Month Update from Revenue  
Scotland and Registers of Scotland**

4 October 2013

Dear Jim,

You wrote to me on 28 March highlighting the recommendations made by the Committee in relation to the administration of Land and Buildings Transaction Tax (LBTT) by Revenue Scotland (RS) and Registers of Scotland (RoS). That letter requested an update each six months on progress in implementing LBTT.

As you are aware, the Land and Buildings Transaction Tax Act received Royal Assent in July. As a result of this, and Parliament's formal consent to powers which require a Scottish tax authority to carry them out, the Tax Administration Programme has moved from the initiation phase I set out in my previous letter to an implementation phase.

That letter also provided a high-level timeline of the work we expect to carry out on LBTT between now and April 2015. That timeline remains accurate and progress has been made against each of the areas set out. I have attached a revised version of the timeline which provides a more detailed breakdown of our work on data management and IT implementation; dates and key milestones have not changed.

We have been working on the priority areas – staffing in the short and longer term, process mapping, and data management – that I identified in that previous letter. We are also working with stakeholders to examine options for sub-sale relief from LBTT, in line with Mr Swinney's commitment during Stage 3 consideration of the LBTT Bill on 25 June, and are developing the subordinate legislation required under the Act. This letter provides a brief update on each of those areas, along with other key activity from the past six months.

I should note that, on each of these areas, we are taking a consistent approach to Scottish Landfill Tax, working with the Scottish Environment Protection Agency, although of course some of the detail of that work is dependent on the Scottish Landfill Tax Bill currently before Parliament.

**Staffing**

Revenue Scotland currently has a complement of 9 staff, focused on the transition to delivering the LBTT and Scottish Landfill Tax from April 2015. While these staff are focused on transition management and development of operational systems and policy, a key aspect of the work is defining the resources that will require to be in place and trained in time for the collection of taxes to start from April 2015. This

will involve a change of emphasis over time from transition management to greater focus on tax administration. We expect this review of the staffing requirement for both the remaining period of set up, the final build up towards live operation and then operational steady state to be completed by December.

### **Respective Roles of RoS and RS**

A key aspect of this is agreeing the detailed split of responsibilities under live running between Registers of Scotland and Revenue Scotland. This is guided by two principles: that our arrangements should be as convenient for the taxpayer as possible, and that we should make the best use of the professional expertise of staff in each organisation.

Some key aspects of the relationship between RoS and RS will depend on subordinate legislation and the Revenue Scotland and Tax Powers Bill which the Parliament will consider in due course; our operational arrangements will of course be subject to the Parliament's views on that legislation.

Joint working groups have been established comprising staff from Revenue Scotland, RoS and SEPA, looking at both LBTT and Scottish Landfill Tax. These groups are examining the duties to be performed, the demarcation of roles and the approach to be taken. Along with colleagues from HMRC, we are particularly focused on ensuring that taxpayers and their agents receive clear, comprehensive and timely communications prior to implementation and that a robust help facility and appropriate guidance are in place in advance of the transition from SDLT to LBTT.

The process mapping work described below is the basis for these decisions at operational level. It is important that Revenue Scotland and Registers of Scotland take the time to work through the process mapping in detail before reaching a final agreement on the split of responsibilities under live running if we are to ensure a fully joined-up service to taxpayers and their agents.

### **Process Mapping**

We have been developing a detailed breakdown of the separate processes that will underpin the collection of LBTT, and an understanding of each process. These process maps will help us to test and agree the specific roles best undertaken by RoS and RS at each stage of collection. The aim is to ensure that LBTT due is collected accurately, efficiently and in a timely way.

We expect much of this work to be completed by the end of 2013; some aspects will be dependent on the subordinate legislation that follows the LBTT Act, and others will be dependent on the Revenue Scotland and Tax Powers Bill, so aspects of this work will continue into 2014.

## **Registers of Scotland progress**

The RoS LBTT collection project remains on track with regards to progress against the timeline previously submitted to the Finance Committee and budget. An independent Gateway Healthcheck review of the RoS project to deliver an LBTT collection system was carried out by the Scottish Government Programme and Project Management Centre of Expertise in August. Based on a 5 point scoring matrix ranging from green, green/amber, amber, amber/red, red the project was assessed at green/amber. The review team concluded that the project was progressing well and that ‘successful delivery appears probable...’ Seven recommendations were made. Three of these have been completed with work having commenced on the remaining four, which relate to joint RoS and RS issues.

## **Data Management**

A detailed understanding of these processes is also central to our decisions on data management – the system requirements for both RoS and RS and the point at which we will require data to be transferred from or shared between the two organisations. We expect the initial phase of this work to be completed by November to allow sufficient time for IT development or procurement.

It is already clear that the taxpayer-facing elements of the system will be developed by RoS, to ensure convenience for taxpayers given the close fit with land registration. RoS is in the requirements gathering phase of the project with detailed work continuing throughout October. The result of this work will be a comprehensive catalogue of user interactions with the collection system which in turn will be translated into system requirements. Through the requirements capture process we have developed a skeleton taxpayer facing system to enable stakeholders to input comments on the look, feel and functionality of the eventual system.

## **Further policy work – sub-sales**

During Stage 3 consideration of the Bill on 25 June, Mr Swinney indicated that he intended to form a working group to examine options for providing relief from LBTT on sub-sales, where the same land is the subject of more than one transaction on a single day. Mr Swinney indicated that he would be prepared to consider introducing a relief where development was in prospect, and provided the risk of tax avoidance could be tackled satisfactorily. A working group has been formed and two meetings have been held. It is intended to describe options and provide advice to the Cabinet Secretary by the end of 2013. This work could lead to an amendment to the Act, which would be made by means of a Scottish Statutory Instrument under the Act.

## **Subordinate Legislation**

A number of Scottish Statutory Instruments under the LBTT Act will require to be prepared and laid, in relation to, for example, acquisition relief, alternative finance investment bond relief, crofting community RtB relief, charities relief, licenses, multiple dwelling relief and transitional arrangements. Progress is being made with this work. Timetables have yet to be finalised. In addition, statutory instruments dealing with tax rates and bands will be prepared in line with the timetable indicated to the Committee by the Cabinet Secretary.

## **Communications**

For taxpayers in Scotland, understanding the transition between the existing UK taxes – Stamp Duty Land Tax and UK Landfill Tax – and the new devolved taxes which replace them will be important. To this end, we have established a joint communications group with RS, RoS, SEPA, Scottish Government and HMRC to ensure that those affected by the changes receive accurate and consistent information about the transition.

RoS has established a stakeholder group involving representatives from key stakeholder groups including the Law Society and the Property Support Lawyers Group. The group has been set up to ensure that the on-line LBTT system is developed with users' needs at the forefront.

RoS and RS have started to raise awareness of the new tax with stakeholders more widely through a number of means. A key part of this has been to participate in joint presentations with the Law Society as part of the Law Society's autumn round of Conveyancing Roadshows. The audience at those roadshows, which were held in 7 locations throughout Scotland, will be the key parties transacting with RoS and RS on behalf of their clients.

## **Conclusion**

As you know, the First Minister announced on 3 September that the Government would be bringing forward the Revenue Scotland and Tax Powers Bill to establish Revenue Scotland and to provide an overarching framework for the collection and management of devolved taxes. I know that in scrutinising that Bill the Committee will be keen to ensure that it provides a coherent and robust framework for the implementation of Land and Buildings Transaction Tax and Scottish Landfill Tax, and we will stand ready to provide any assistance which you would find helpful.

I hope that this is useful and look forward to the opportunity to discuss it further with the Committee on 30 October.

Yours sincerely

**ELEANOR EMBERSON**

