

CORRESPONDENCE FROM THE SCOTTISH GOVERNMENT TO THE FINANCE COMMITTEE, DATED 1 JUNE 2015

Dear Kenneth

NPD/Hub programme of revenue financed infrastructure investment

I wrote to you on 2 February to advise the Committee of action the Scottish Government is taking in response to recent updates to relevant Eurostat technical guidance on accounting (the European System of Accounts or ESA10), in relation to the contractual arrangements that apply to projects delivered through the NPD/Hub programme.

The Scottish Government remains fully committed to the programme, which is delivering significant benefits in communities across Scotland and has helped to sustain investment and economic activity at a time of constraint in conventional capital spending. This letter provides an update on progress.

A key action has been to engage with the Office of National Statistics in a review of the Aberdeen Western Peripheral Route (AWPR) project. The review is well underway but it is likely to be some weeks before conclusions are reached.

In parallel, the Scottish Futures Trust has been developing proposals for changes to the contractual and shareholder arrangements for Hub projects, which further strengthen the case for a private sector classification. These have been discussed with HM Treasury and I have now instructed SFT to implement these changes across the Hub programme, working with project partners. I expect this to take around 6-8 weeks.

The Committee may wish to note that one project within the Hub programme – the Forfar Community Campus – is significantly advanced on-site and is likely to reach financial close this week. The project is distinct in this respect from other projects in the Hub pipeline. My expectation is that this project will reflect the above contractual and shareholder arrangements once they have been implemented.

I hope this update is helpful. I am copying this letter to the Public Audit Committee, given the committee's recent interest in this issue.

JOHN SWINNEY