

**Correspondence from the Scottish Government to Public Audit Committee, dated 11 December 2013**

**Dear Mr Henry,**

**MAJOR CAPITAL PROJECTS**

Further to the discussion that took place at the Committee on 4 September on Audit Scotland's report on Scotland's Key Transport Infrastructure Projects, I am writing to provide both the Scottish Government's latest report on the progress of Major Capital Projects and a report on the actions taken in response to Audit Scotland's report.

I include:

- a progress report on developments across all four of the workstreams included in the Committee's report on Major Capital Projects of February 2009 (**Annex A**);
- information on the state of progress of Scottish Government capital projects over £50m (**Annex B**);
- an update on the progress of the hub initiative (**Annex C**); and
- a report on actions taken in response to Audit Scotland's report on Scotland's Key Transport Infrastructure Projects (**Annex D**).

I trust that the Committee finds this information helpful.

Peter Housden

## **REPORT ON DEVELOPMENTS ACROSS THE WORKSTREAMS INCLUDED IN THE COMMITTEE'S REPORT ON MAJOR CAPITAL PROJECTS OF FEBRUARY 2009**

Our responses to the workstreams included in the Committee's report of 2009 are now well embedded into our corporate systems and processes. The four workstreams were:

- i. strengthening governance of the capital programme;
- ii. improving project cost and time estimating for capital projects;
- iii. project management and governance; and
- iv. making routine use of post project evaluation.

### Strengthening governance of the capital programme

The Infrastructure Investment Board (IIB) has met four times since my last report to the Committee in June. The Board has reviewed, and made recommendations on, major projects and programmes including Balfour Hospital (NHS Orkney); A9 dualling; Culture and Heritage investment; Digital Infrastructure; and offshore renewables investment. IIB has received updates on the progress of significant programmes of investment, including Scotland's Schools for the Future; major transport projects; major health projects; and the Non Profit Distributing (NPD) and hub programmes. In terms of strategic issues, the IIB has considered progress in relation to community benefits from procurement; Scotland's Third National Planning Framework; and, prior to the publication of the Draft Budget, capital prospects for 2014-15 and 2015-16.

Overall, the IIB continues to play a valuable central oversight role in relation to the governance and delivery of the Scottish Government's major investment projects and programmes.

### Improving project cost and time estimating for capital projects

The Infrastructure Projects Database (IPD), which is updated every quarter, continues to provide valuable management information for reports to the IIB and the PAC. Since February 2013, we have also made this information more widely available to the public via the project pipeline that we are updating on a six monthly basis. The database is also used to ensure that the Scottish Government makes full use of vital project assurance tools such as Gateway Review.

### Project Management and Governance

The Scottish Government's independent assurance framework is now established and is working well to bring together the strategic project delivery assurance provided through Gateway Review and the procurement assurance provided by the Scottish Futures Trust's Key Stage Review process for NPD and 'hub' Design, Build, Finance and Maintain (DBFM) projects. The Scottish Government will continue to monitor the effectiveness of the framework and adjust it, if necessary, based on feedback and lessons learned during its use.

### Making Routine Use of Learning lessons

The Scottish Government has published guidance and a supporting toolkit to help delivery bodies embed Learning Lessons procedures within their governance arrangements. The Scottish Government is carrying out a pilot project involving key delivery bodies and will publish Lessons Learned, brigaded under its Programme and Project Management (PPM) principles, at the beginning of 2014.

## MAJOR CAPITAL PROJECTS PROGRESS REPORT AS AT 18 NOVEMBER 2013

This report covers progress of major capital projects with a total capital value in excess of £50m, as at 18 November 2013.

Cost estimates for individual projects may rise or fall for a number of reasons, including: changes to the scope of the project; incurring unanticipated or additional costs for preparatory works; costs arising from unavoidable delay to projects; and increases in input costs and construction prices.

Timescale estimates for individual projects may be lengthened or shortened for a number of reasons, including: changes to the scope of the projects; unanticipated or unavoidable delays to construction; unanticipated or unavoidable delays in the procurement process; and the impact of considerations around affordability for the procuring authority.

Estimated capital values include the construction contract costs and any associated capital funded costs such as land acquisition and enabling works (e.g. demolition and utilities diversions). For revenue funded projects, the contract values, which represent the value of the Scottish Government funded construction activity associated with the project, have also been provided in order to provide transparency around delivery of the £2.5 billion NPD pipeline. An estimate for inflation over the delivery period is included, unless otherwise specified (e.g. 2012 prices). How inflation is managed will vary between contracts and will depend on how far the project has progressed in its delivery.

Project Title	Estimated Capital Value	Current Timescale to Completion	Progress at November 2013	Contribution Towards Local Economic Development
<b>Forth Replacement Crossing</b> - new crossing of the Forth estuary connecting into trunk road network	£1.4bn-£1.45bn	2016-17	<p>The Forth Replacement Crossing (FRC) scheme consists of three contracts, two of which are in addition to the Queensferry Crossing and are now complete:</p> <p>Fife ITS (complete) - The contract to install the Intelligent Transport System (ITS) gantries on the M90 between Admiralty and Halbeath Junctions in Fife and provision for southbound bus hard shoulder running has been completed by John Graham (Dromore) Ltd. The bus</p>	At its peak the FRC project will directly support 1,200 jobs and the Chambers of Commerce estimate that the FRC will deliver economic benefits worth around £6bn to Scotland's economy. The average number of staff on site in September 2013 was 874. The number of staff on site varies depending on the stage of the works and is expected to reach the

			<p>lane and ITS went live on 4 December 2012.</p> <p>M9 Junction 1A (complete) - The contract to improve Junction 1A of the M9 which provides improved connections between the motorway and the new bridge was completed by Sisk Roadbridge Ltd (SRB). Construction began in September 2011 and fully opened to traffic on 1 February 2013, two months ahead of programme.</p> <p>In relation to the Principal Contract, which is continuing:</p> <p>Principal Contract - The contract for the bridge and connecting roads elements is being undertaken by the Forth Crossing Bridge Constructors (FCBC), a consortium comprising Dragados, Hochtief, American Bridge International and Morrison Construction. It started construction in summer 2011 and is currently progressing to programme and scheduled for completion in 2016.</p> <p>The FRC project is currently on track to be delivered on time and within the reduced forecast outturn cost range of £1.4bn to £1.45bn.</p>	<p>previous peak of 1200 in the next six months. 365 Scottish firms have already benefitted from subcontracts and supply orders on the project.</p> <p>FRC will deliver every year 45 vocational training positions, 21 professional body training places and 46 positions for the long term unemployed, as well as providing further scope to maximise Modern Apprenticeship opportunities. As at 31 August 2013, 368 places for vocational and professional training and the long-term unemployed have been generated by the construction.</p> <p>Community Forums continue to be held on a regular basis. The forums enable Transport Scotland and the contractors to share information with community groups regarding upcoming construction activities and the measures proposed to mitigate the effects of these activities.</p> <p>A flyer has been distributed to all schools in Scotland</p>
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				<p>advising them of the availability of the Contact and Education Centre for visits. This is the core part of the project's education strategy, with 190 pupils attending each month</p> <p>Regular open days have also been held with up to 250 people attending on each day. Feedback continues to be positive and further regular events are planned.</p>
<p><b>A9 Dualling Perth to Inverness</b> - provision of dual carriageway over 80 miles between Perth and Inverness.</p>	£1.5bn - £3bn	2025	<p>Preliminary engineering on the corridor and the public presentation of the Strategic Environmental Assessment both took place in June 2013.</p> <p>Early implementations of schemes at Luncarty to Birnam and Kincaig to Dalraddy are underway and preferred options were also presented publicly in June 2013.</p> <p>Draft orders for Kincaig were published on 1 November 2013 and Luncarty orders will be published early in 2014.</p> <p>Procurement competition for three major long term consultancy commissions commenced. Awards anticipated during 2014.</p>	<p>The dualling will connect the cities of Perth and Inverness and improve journey times and journey time reliability between the Highlands and the Central Belt.</p> <p>Given the scale of the scheme it is reasonable to expect that local people and local companies will have the opportunity to participate in design and construction of the scheme.</p> <p>The opportunity to secure wider benefits for the economy beyond the traditional project objectives linked to the procurement of transport infrastructure is</p>

				recognised.
<b>A90 Aberdeen Western Peripheral Route (AWPR) / A90 Balmedie to Tipperty</b> - to provide a 46km dual carriageway western peripheral route around the City of Aberdeen and the construction of 8 kilometres of new dual carriageway between Balmedie and Tipperty.	£745m (2012 prices)  (£472m NPD contract value at 2012 prices)	Spring 2018	<p>The project is being taken forward using the Non Profit Distributing (NPD) model. Four bidders were invited to participate in the procurement competition but one subsequently withdrew for commercial reasons, and this was made public in September 2013. The remaining bidders will submit a final tender with contract award anticipated late 2014 subject to availability of finance.</p> <p>The capital value reflects the combined scheme.</p>	<p>Given the scale of the scheme it is reasonable to expect that local people and local companies will have the opportunity to participate in construction of the scheme.</p> <p>The opportunity to secure wider benefits for the economy beyond the traditional project objectives linked to the procurement of transport infrastructure is recognised, and the provision of community benefit clauses is now an important consideration in the procurement process.</p>
<b>M8, M73, M74 Motorway Improvements</b> - enhancements to M8, M73 and M74 to support M74 completion and M8 Baillieston to Newhouse Schemes	£588m  (£415m NPD contract value at 2011 prices)	Operational by 2017 (detailed timetable subject to review).	<p>The M8 Baillieston-Newhouse, M8 associated network improvements and M74 Raith Interchange is being taken forward as one project - the M8, M73, M74 Motorway Improvements - as stated in the draft budget statement in November 2010.</p> <p>The project is being taken forward using the NPD model and four bidders were originally invited to participate in dialogue. The deselection of two bidders was announced on 18 February 2013. Scottish Roads Partnership was</p>	<p>The contract requires that all site-based employment opportunities (including those with sub-contractors) are notified to job centres (including local job centres) at the time they become available.</p> <p>In addition, all contracts with sub-contractors and suppliers which the contractor intends to procure following contractor award, and which</p>

			<p>announced as the preferred bidder on 20 August 2013. Contract award is anticipated in late 2013 subject to agreement of financing proposed.</p> <p>The capital value reflects the combined scheme.</p>	<p>the contractor has not already planned to award to a particular sub-contractor or supplier when preparing his final tender, are advertised through the Public Contracts Scotland procurement portal.</p> <p>Minimum requirements have been set for the numbers of apprentices, graduate trainees and job starts. Transport Scotland is also encouraging the contractor to offer training opportunities in terms of placements, work experience and workplace taster opportunities.</p>
<p><b>Borders Railway</b> - building a rail link from Edinburgh to the central Borders, to connect the Borders and Midlothian more effectively to the Edinburgh economy</p>	<p>£353m (£294m contract value at 2012 prices)</p>	<p>Contractual completion date of summer 2015, with service commencement in September 2015. The Scottish Government will be working closely with Network Rail and its contractor BAM to look at ways</p>	<p>Works remain on programme with significant progress visible along the length of the route.</p> <p>Mine remediation works are nearing completion and reduced to three local areas.</p> <p>Earthworks north of the bypass are 85% complete and slope remediation along length of project is progressing to programme.</p> <p>The closure of the A7 for the placement of beams at Gore Glen under bridge passed without incident.</p>	<p>It is estimated that approximately 200 to 400 jobs will be created during the period of construction. The new line will be a catalyst for encouraging approximately £33m of benefits for the wider Scottish economy as well as increased business development, housing opportunities and inward investment for the local economy.</p>

		of achieving our target to have the railway in place by the end of 2014.	The timetable consultation process has been launched by ScotRail.	
<b>Edinburgh Glasgow Improvement Programme EGIP</b> - electrification of the line to reduce journey times	£650m (2012 prices)	2014-2019	<p>On 4 July 2012 the Minister for Housing and Transport announced details of the EGIP scheme and the first phase to be taken forward for delivery. Based on four trains per hour (tph) with longer trains and extended platforms at Queen Street Station, Phase 1 electrifies the Cumbernauld lines in time for the Commonwealth Games and electrifies the core Edinburgh Glasgow via Falkirk lines, and delivers the new Edinburgh Gateway Station with connection to Fife line services by December 2016.</p> <p>Procurement has commenced on Cumbernauld electrification with a delivery date in advance of the Commonwealth Games.</p> <p>Haymarket station will open to the public on 19 December 2013.</p> <p>The Full Business Case (FBC) is due to be published early in the new year.</p> <p>Other elements of the current EGIP, i.e. electrification of Dunblane/Alloa services, Glasgow connectivity with Edinburgh Gateway station and the proposal for 6</p>	<p>A comprehensive programme of improvements to Scotland's railway infrastructure, rolling stock and service provision will provide a major boost to the wealth of Scotland and its long term economic sustainability.</p> <p>It will deliver enhanced connectivity with faster journey times connecting more people with places of work.</p>



			tph on the route via Falkirk, could be delivered in later phases. However, a decision to progress would be dependent on other factors, including the transition to High Speed Rail.	
<b>NHS Lothian - Royal Edinburgh Hospital</b> - developing fit for purpose accommodation for adult acute mental health beds, psycho-geriatric beds, outpatient and a range of single system support services.	Circa £181m (subject to review)	To be developed on a phased basis and determined through the review process.	<p>The initial agreement was approved by the Scottish Government Health and Social Care Directorates' Capital Investment Group in March 2012 and detailed analysis of the financial case, including affordability, will take place at Outline Business Case (OBC) stage.</p> <p>The proposal will be taken forward as a 'hub' Design, Build, Finance and Maintain (DBFM) project and will be delivered on a phased basis with the first phase estimated to cost £33m.</p> <p>NHS Lothian is currently assessing potential options to meet service objectives through the 'hub' initiative.</p> <p>An OBC is currently being considered by the Scottish Government Health and Social Care Directorates.</p>	HubCo South East Ltd key performance indicators are to ensure that local people are given the opportunity to undertake training leading to employment with its sub-contractors. The Royal Edinburgh is being treated as an exemplar project for Public Social Partnerships.
<b>NHS Lothian - Royal Hospital for Sick Children (RHSC) / Department of Clinical Neurosciences (DCN)</b> - Regional hospital for children and young	£227m  (£155m NPD contract value)	May 2017	Planning in Principle has been awarded and the OBC has been approved by the Scottish Government. Supplemental Agreement 6 has been agreed with Consort, which is the Private Finance Initiative (PFI) provider at the Edinburgh Royal Infirmary.	The Little France site is part of the 'south-east wedge' of Edinburgh, an area of regeneration, and the RHSC and DCN development will further contribute to social and economic improvements,

people and Department of Clinical Neurosciences, will be moved to a joint, purpose designed new build facility at Little France in Edinburgh.			The project is currently in procurement and is being taken forward using the NPD model. The shortlisting of bidders has taken place and the process of competitive dialogue is in progress.	infrastructure development, transport enhancement and social inclusion in the neighbouring areas which have been recognised as socially excluded for many decades.
<b>NHS Greater Glasgow and Clyde - New South Glasgow Hospitals and Laboratory Facility Project</b> - construction of new adult and children's hospital.	£842m	<p>The first stage of the new development, the Laboratory Block (£75.8m ex VAT) completed in March 2012 and is fully operational.</p> <p>The Adult and Children's Hospitals commenced work on site in late March 2011 and the full development is planned to be operational/ in service by the end of June 2015.</p> <p>The final</p>	<p>Approval to proceed with Stage 1 (Laboratory Construction) of the project was granted in December 2009. This completed in March 2012 and is now fully operational.</p> <p>Approval was granted for the full £842m project budget in 2010.</p> <p>An OBC for a Learning and Teaching Facility was approved in November 2013. The total cost of the project is £25m with £10m funded from within the new South Glasgow Hospitals project budget, £10m from University of Glasgow and £5m from the Scottish Funding Council. A further OBC for a new administration block, to cost £20m drawn from the project budget was approved in November 2013.</p> <p>At November 2013, the project remains on programme to complete in 2015 and within approved budget.</p>	<p>The New South Glasgow Hospitals project established a number of key economic targets to be incorporated into the project delivery, with a particular focus on Targeted Training and Recruitment. The project set a target of 250 new entrant recruits, including 88 apprentices. To date the project has delivered 190 new entrants, including 54 apprenticeships. The project has also supported over 140 work placements for young people and has dedicated engagement programmes with local primary and secondary schools.</p> <p>To deliver the above targets the project has established a dedicated training and recruitment centre on site, which offers support to contractors in meeting</p>

		completion of works including landscaping etc is planned for summer 2016.		<p>recruitment needs. Moving beyond construction related training, the project through the main contractor has supported and part funded a Centre for Healthcare Excellence at Cardonald College. This will equip young people with the skills and competencies to pursue a future career in healthcare.</p> <p>In relation to SMEs and social enterprises, sub-contract opportunities are advertised through the project website and the Glasgow Business Portal. This is supported by tailored events for SMEs and social enterprises, with over 800 businesses engaged.</p>
<b>NHS Dumfries &amp; Galloway - Royal Infirmary Replacement</b> - refurbishment of acute in-patient facilities.	£256m (£203m NPD contract value)	To be determined through the Business Case process.	The OBC has been approved and the project is in competitive dialogue with two short-listed bidders. An FBC is being prepared with a view to achieving financial close in Q1 2015.	Following approval of the OBC, procurement will commence. Contract approaches will be consistent with Scottish Government policy in seeking to maximise the contribution of the project towards local economic development.
<b>NHS Orkney – Development of Balfour Hospital and</b>	£66m-£70m (£60m	To be determined through the	The Transforming Clinical Services Strategy has been completed, which means that the Board has now started to	Following approval of the OBC, procurement will commence. Contract

<b>Kirkwall Dental Centre</b>	estimated NPD contract value)	Business Case process (estimated to be 2016).	<p>develop a business case for the delivery of the project via NPD.</p> <p>A planning consultation on three potential sites is in progress.</p> <p>The OBC is due in spring 2014.</p>	approaches will be consistent with Scottish Government policy in seeking to maximise the contribution of the project towards local economic development.
<b>NHS Ayrshire &amp; Arran Acute Mental Health &amp; North Ayrshire Community Hospital</b> - integrated mental health and community hospital facility.	£56m  (£48m NPD contract value)	Due to be operational in June 2016	The OBC has been approved. The FBC is due to be submitted to Scottish Government Health and Social Care Directorates in April 2014 and construction start is planned for July 2014.	<p>NHS Ayrshire &amp; Arran recognises the importance of sustaining the community and delivering against social considerations. As well as providing significant training and employment opportunities for the full Project Term, the NACH Project also has the potential to drive significant initiatives relating to regeneration, sustainability and social benefits, aligning with the Authority's strategic objectives. The Board has Community Benefits clauses set out within the NPD Project Agreement to support this agenda. Provisions relevant to training and appropriate measures regarding supply chain contracts and engagement with small and medium sized enterprises and supported businesses are recognised</p>

				as examples of the elements that may be taken into account.
<b>Glasgow School of Art</b> - part rebuild to make the School more suitable for modern usage.	£50m	Late 2013	In construction. The School held a 'topping out' ceremony in early May, and construction is expected to be completed on time, with migration taking place in January 2014.	<p>The Glasgow School of Art redevelopment project aims to create a world-class creative education and research facility in Architecture, Design and Fine Art.</p> <p>The School has a well-established international reputation, attracting students not only from Scotland but from across the world. The project replaces the existing, very poor-condition estate, which is the single greatest risk to the long-term academic and financial sustainability of the School.</p> <p>The School: is liaising with St Aloysius College, Garnethill Primary School and the Community Council; meets with representatives from the civil engineering departments of local universities and arranges site visits; runs workshops for the School's Architecture students; and advertises SME opportunities</p>

				<p>through the Glasgow Business Portal. To date £1.26m of work on the project has gone to local SMEs.</p> <p>The contractor has to date provided 70 work experience weeks; a representative from the contractor attends monthly Community Council meetings; the contractor produces quarterly newsletters distributed to the community; the contractor has donated £200 to Garnethill Summer Play scheme; the contractor has awarded 10 work packages to SMEs (total value over £12m).</p>
<p><b>City of Glasgow College</b> - to create a new estate for the City of Glasgow College; formed in 2010 through the merger of three former city centre colleges</p>	<p>£228m (£193m NPD contract value)</p>	<p>August 2016</p>	<p>Project is being taken forward through the NPD model and reached financial close on 30 August 2013. Now in construction.</p>	<p>The new estate will allow the College to play a key role in regenerating local communities. The preferred bidder is required to comply with 'Community Benefit' requirements that are defined within the NPD contract. These provisions cover targeted training and employment, opportunities for SMEs and Community Engagement. The project will deliver a socially sustainable</p>

				solution by improving the public realm and making facilities more accessible and more available to the public.
<b>Inverness College</b> - College relocation	£52m  (£45m NPD contract value)	August 2015	The project is being taken forward through the NPD model and reached financial close in May 2013. Construction is now underway.	<p>The Inverness College project is the anchor tenant in the wider Inverness Campus, which is being developed by Highlands &amp; Islands Enterprise. The vision of the Inverness Campus as a whole is the creation of world-class, pioneering education and research facilities that will attract businesses and help to drive economic growth in the region.</p> <p>It is believed that once complete the Inverness Campus will generate £38m per year for the area and support up to 6,000 jobs over 30 years.</p> <p>The Project Company delivering the College build, which is part of the wider development, has made contractual commitments to provide apprenticeships and employment opportunities for new entrants as well as sub-</p>

				contracting opportunities for SMEs and social enterprises throughout the construction and operational phases of the project.
<b>Kilmarnock Campus (Ayrshire College) - College relocation</b>	£54m (£48.5m NPD contract value)	January 2016	The project is being taken forward through the NPD model and reached the appointment of preferred bidder stage on 1 November 2013.	Consideration has been given to using local companies as sub-contractors and offering training and work experience opportunities for students across all three campuses of the new Ayrshire College. All three bidders identified bespoke community benefits during the competitive dialogue stage, and the Preferred Bidder's community benefit commitments will be incorporated into the contract at financial close.
<b>Scotland's Schools for the Future School Building Programme</b>	£1.25bn (£800m of Scottish Government investment with £450m from local authorities)	2017-18	<p>There are currently twelve schools complete and open to pupils (four secondary schools and eight primary schools) and a further ten schools are under construction (five secondary schools, four primary schools and one Additional Support Needs (ASN) school).</p> <p>One primary school and one ASN school will complete construction before the end of 2013. One primary school will start construction before the end of 2013.</p>	<p>The projects provide significant employment opportunities across Scotland both during the building phase and throughout the lifetime of the school.</p> <p>The hub procurement process will ensure that local resources are used wherever possible.</p>



			<p>Total capital value of schools opened to date under the programme is £169.1m, of which SG contribution is £91.5m.</p> <p>The total capital value of schools under construction is c.£184.2m, of which SG contribution will be c.£100m.</p>	<p>The facilities available, especially in secondary schools, will provide significant resources, both educational and recreational, for local communities.</p>
<p><b>Scottish Crime Campus - Gartcosh</b> - accommodation for the Police Service of Scotland and its partner agencies, together with a new forensic science laboratory.</p>	£82m	<p>Construction completed autumn 2013, becoming fully operational in early 2014.</p>	<p>Contract 1 has been completed.</p> <p>Contract 2 was awarded on 20 December 2010 and started work on site on 21 February 2011. This contract completed on 5 April 2012.</p> <p>The Management Contractor to oversee Stage 3 (the building fit-out) was appointed on 17 February 2012 and following procurement of the main work packages, installation work commenced in August 2012. Practical completion of Stage 3 works has been achieved.</p>	<p>Each stage has included a community benefits programme delivered by the contractor. The Management Contractor for Stage 3 has a programme taking in workforce development, wider employment and skills development, SMEs and social enterprises and community interaction.</p>
<p><b>HMP Grampian</b> - design and build new prison</p>	£90m	2013-14	<p>Construction commenced in January 2012 and the project remains on target for prisoner occupation in 2014.</p>	<p>The contractor has been engaging with Burnhaven Primary School. Pupils and teachers have attended the site for a safety awareness presentation and information meetings have been held with the local community. The contractor has refurbished the school toilets and cloakroom free of charge.</p>

				<p>The contractor continues to employ local trade contractors wherever possible (£14m contracts value to date). The contractor is currently directly employing eight labourers and one office administrator from the Peterhead area. The contractor has also held a total of six separate visits for over 40 people enrolled with the Job Centre Plus (from Banff, Fraserburgh and Peterhead), to allow them to make contacts and issue CVs to trade contractors on site. Regular visits from college students have also taken place where site tours were given, along with introductions to sub-contractors. These initiatives have resulted in jobs on site with supply chain partners.</p>
<b>Step Change 2015 Programme – Next Generation Broadband</b>	£240m-£270m (including £138.3m of Scottish Government investment, £100.8m of UK	2013 to 2017	<p>Two infrastructure projects are included within the Programme:</p> <p>The Highlands and Islands contract was awarded to BT in March 2013. The first exchanges to be upgraded were announced in October 2013.</p> <p>The Rest of Scotland contract was</p>	<p>Improved connectivity will deliver local economic and SME benefits, including:</p> <ul style="list-style-type: none"> <li>• growth of a digital economy through the use of digital technologies which help improve productivity and innovation.</li> </ul>

	Government investment and additional local authority contributions)		awarded to BT in July 2013. It is expected that the first exchanges to be upgraded will be announced in January 2014.	<ul style="list-style-type: none"> <li>• support the transition to a low carbon economy.</li> <li>• supporting the development of new businesses and flexible working practices such as home working or working remotely.</li> </ul> <p>The deployment of the infrastructure will deliver direct and indirect economic benefits in terms of job creation.</p> <p>A recent economic impact analysis of the public sector investment in Next Generation Broadband in Scotland estimated that over 800 direct jobs would be created or safeguarded as a result of the investment during the network installation phase with a further 70 direct jobs to operate the network over a 15 year period. The report also indicated that almost 14,000 indirect jobs would be created over the same 15 year period.</p>
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## MAJOR CAPITAL PROJECTS PROGRESS AS AT 18 NOVEMBER 2013

### SUMMARY OF CHANGES

This note summarises variances in the projected cost estimates and projected timescales for completion arising since the Scottish Government's progress report in June 2013.

#### Parliament House

This is no longer included as the three main phases of the project are now complete. Details were provided in the previous progress report.

#### NHS Grampian - Emergency Care Centre

This is no longer included as the two main phases of the project including the main building are now complete and in service. Details were provided in the previous progress report.

#### NHS Ayrshire & Arran Acute Mental Health & North Ayrshire Community Hospital

This has been reinstated within the report as the estimated capital value of the project is £50m or over.

#### Kilmarnock Campus (Ayrshire College)

This has been reinstated within the report as the estimated capital value of the project is £50m or over.

#### Inverness College

This has been reinstated within the report as the estimated capital value of the project is £50m or over.

#### Forth Replacement Crossing

Subsequent to 2014-15 Draft Budget, announced on 11 September, the cost range was been revised down from £1.45bn-£1.6bn due to the costs relating to VAT and inflation being lower than previously estimated.

#### NHS Lothian - Royal Hospital for Sick Children (RHSC) / Department of Clinical Neurosciences (DCN)

The current timescale to completion has been brought forward subsequent to the Board receiving further information from bidders on their proposed construction programmes.

#### Step Change 2015 Programme – Next Generation Broadband

Timescale to completion has been put back to 2013 to 2017. The programme is expected to meet its original target of making next generation broadband access (NGA) available to 85% of premises across Scotland by end 2015, but in addition, the plans now agreed will go beyond the initial target and bring NGA to 95% of premises by end 2017.

## PROGRESS REPORT ON THE HUB PROGRAMME

This report covers progress on the five geographical territories relating to the hub programme which is being led by the Scottish Futures Trust on behalf of the Scottish Government.

Note 1: The total estimated capital value figures relate to the costs of all the projects being taken forward through the hub territories by all public sector partners. All capital and revenue funded projects which are in the development process or have an identified funding source are included.

hub Territory	Total Estimated Capital Value	Progress Update
North	£400m	<p>Hubco was established in March 2011.</p> <p>Construction has completed on time and on budget on hub's first Design, Build, Finance and Maintain (DBFM) project in Scotland, the £16m Aberdeen Health Village, which was officially opened on 2 December by the First Minister.</p> <p>A bundle of three health centres: Forres, Woodside and Tain valued at £14m reached financial close in April 2013 and is due to be completed in May 2014. This is the first dual authority revenue financed project, being a joint project between NHS Grampian and NHS Highland.</p> <p>Initial construction has started on site at Alford Academy in advance of a DBFM contract being signed in December/January.</p> <p>Wick High School DBFM has now been combined with two primary schools to form a £43m project, which is due to start construction in early 2014.</p> <p>A further bundle of schools projects at Shetland, Inverness and Elgin are all targeted to reach financial close within the next 12 months.</p>
South East	£300m	<p>Hubco was established in August 2010.</p> <p>The Wester Hailes Healthy Living Centre was completed on budget and handed over to NHS Lothian in June 2013, 12 weeks ahead of schedule.</p> <p>Other projects which have reached construction completion in the last six months include Lauder Medical Centre and school extensions in Edinburgh to meet demand from rising rolls.</p> <p>James Gillespie's High school £4m Design &amp; Build (D&amp;B) enabling works contract was completed on time in July 2013. Construction on the main school DBFM project started in October 2013 in advance of financial close which was achieved on 9 December 2013.</p> <p>In total, four projects worth £39m are currently in construction.</p>

**ANNEX C (Cont'd)**

		The NHS DBFM Bundle - Firrhill, Muirhouse & Blackburn - and schools projects at Newbattle and Kelso are targeted to reach financial close within the next 12 months.
West	£200m	<p>Hubco was established in April 2012.</p> <p>Initial projects at Kirkintilloch and Garshake have been completed and handed over.</p> <p>Construction worth £14m is underway on Clydebank Workshops and Johnstone Community Hub.</p> <p>A bundle of four NHS Health Centres in Glasgow and schools DBFM projects at Barrhead and Dumbarton are targeted to reach financial close within the next 12 months.</p>
East Central	£400m	<p>Hubco was established in February 2012.</p> <p>Six projects worth £54m are currently in construction including Glenwood Health Centre and school projects in Dundee, Burntisland and Clackmannan.</p> <p>Schools projects at Brechin, Forfar, Levenmouth and Dundee are targeted to reach financial close within the next 12 months.</p>
South West	£400m	<p>Hubco was established in November 2012.</p> <p>Five projects worth £12m including two health centres in Dumfriesshire, a medical centre in Ardrossan, a care home in Arran and new offices in Irvine are currently in construction.</p> <p>The first hub DBFM project for NHS Lanarkshire, a three health centre bundle worth £39m, is due to reach financial close in December 2013.</p> <p>A bundle of nine schools are currently being procured collaboratively with the earliest targeted to reach financial close within the next 12 months.</p>
<b>Total</b>	<b>£1,700m</b>	See Note 1

## **A REPORT ON ACTIONS TAKEN IN RESPONSE TO AUDIT SCOTLAND'S REPORT ON SCOTLAND'S KEY TRANSPORT INFRASTRUCTURE PROJECTS, JUNE 2013**

**This Annex provides a report on actions taken in response to the recommendations made by Audit Scotland in their report on Scotland's Key Transport Infrastructure projects of June 2013.**

**To improve its control and decision-making, Transport Scotland should:**

**review and update by December 2013 its current business case development and assurance processes to ensure these align with wider processes for planning and decision making for all projects, including rail investment and to identify the specific points where Ministerial approval is required. It should then ensure these are systematically applied to all projects**

### **Transport Scotland response**

We have reviewed the requirements and guidance on the production and development of our business cases to clarify and further reinforce our project control and decision making processes. The processes remain consistent with best practice in accordance with the Scottish Public Finance Manual and HM Treasury guidance. We have added specific guidance to cover instances where further advice is given to Ministers which does not affect the underlying assumptions or objectives of the current business case before its next formal stage of development (e.g. where a different procurement approach is required). In such instance any advice to Ministers will be explicitly referred back to the business case. We have also clarified at which points Ministerial approval would normally be required.

**Ensure Project Execution Plans (PEPs) are completed for Borders Railway, Aberdeen Western Peripheral Route / Balmedie-Tipperty (AWPR-B-T) and Edinburgh Glasgow Improvement Programme (EGIP) by September 2013**

### **Transport Scotland response**

The PEPs for all three projects are now complete and up to date.

**Establish by December 2013 a standard approach to presenting cost estimates and financial monitoring reports for high-value projects, costing more than £20 million. Cost estimates should be presented so that the full financial impact of these projects is clear and understandable in both cash and real terms (that is, taking account of inflation)**

### **Transport Scotland response**

For all future projects costing more than £20 million a similar approach will be taken to that adopted for the Queensferry Crossing (FRC project). Where we have confirmed project timetables we will present the overall project capital costs with an allowance for inflation projected to expected outturn and, at procurement stage, construction costs will be presented at current prices. Financial monitoring reports will also be drawn up in line with the best practice we have implemented on projects such as the Queensferry Crossing and M8.

The information for transport projects will be incorporated into the general reports on infrastructure projects that it is proposed the Committee will receive every six months, and will also be provided on Scottish Government's website. This will indicate where any costs do not include an estimate for inflation over the delivery period and will point to further

information on revenue payments once these have been finalised and are no longer commercially sensitive.

**Refine its risk-management framework by December 2013 to promote a more consistent approach to recording and scoring risks between individual projects', directorate and corporate risk registers**

### **Transport Scotland response**

The annual review of Transport Scotland's Risk Management Framework document has been completed and updated to include further advice to help enhance consistency between individual project, Directorate and Corporate risk registers. This has been separately shown to Audit Scotland who have commented positively.

**To help develop its scrutiny of major projects, the Scottish Government should: by December 2013 refine and develop its plan for scrutinising, challenging and monitoring major investment projects. This plan should aim to promote closer integration of the major decision-making, scrutiny and assurance stages throughout the lifecycle of all projects. This includes the key dates for ministerial approvals, IIB reviews, business case decisions, Gateway and integrated assurance reviews. The plan should show:**

- **the objectives for each stage**
- **who is involved**
- **when each stage will take place for each project, including inter-dependencies**
- **how progress towards each stage will be monitored, including the remit of the IIB in this area and what monitoring information about the progress of individual projects that the IIB should receive as a matter of course.**

### **Scottish Government response**

The Infrastructure Investment Board (IIB) has considered this recommendation and has refined and developed its framework for scrutinising, challenging and monitoring major investment projects and revised the quarterly major project monitoring reports that it receives.

This framework outlines the lifecycle of projects from policy formulation to operations, with details of: governance arrangements in the project areas taking forward major capital projects (transport, health, further education); project assurance; when IIB will interact with projects and the nature of that interaction.

In relation to IIB's role:

- IIB provides advice to Ministers about capital investment prioritisation criteria in order to inform the development of the Infrastructure Investment Plan, which is then decided by Ministers.
- IIB reviews portfolio governance and decision-making processes for capital projects to ensure these are fit-for-purpose.
- IIB scrutinises major projects (generally those over £50m) at Strategic Business Case stage in order to ensure that key aspects of the project have been fully examined before proceeding to the next stage (Outline Business Case). These aspects include:



contribution to the delivery of the outcomes outlined in the National Performance Framework; the strength of business need; value for money; affordability and financing options; project governance and assurance; procurement; and local economic and community benefits.

- At Outline Business Case and Full Business Case stages, IIB will review: major projects that are subject to significant change (e.g. scope, time, cost) compared to the previous stage; the progress of projects over £50m on a quarterly basis via the project progress report, and call in projects if issues around delivery are identified; and projects with a Delivery Confidence Assessment (DCA) of Red or Amber/Red that continue to have this DCA following an assurance of action plan review.
- IIB reviews strategic Lessons Learned by sector and through the integrated assurance process so that good practice may be shared across the Scottish Government; and IIB has the option to scrutinise a project's Post Project Evaluation report if IIB has particular concerns about the delivery of a project.

The IIB has also updated its quarterly major project progress reports to cover key dates for Ministerial approvals, IIB reviews, business case decisions, Gateway and Key Stage Reviews, as well as details of interdependencies, to respond to Audit Scotland's recommendation. This should serve to provide IIB with much more information about the upcoming milestones associated with each project and to plan effectively about when they should interact with projects.

**To improve openness and public accountability, the Scottish Government should:**

**Consult with the Scottish Parliament's Public Audit, Finance and Infrastructure and Capital Investment Committees on a threshold value for routine public reporting of all major infrastructure investment projects that ministers have approved for procurement. It should then set a threshold for routine public reporting**

#### **Scottish Government response**

The working group comprising the Public Audit Committee clerk, Audit Scotland and Scottish Government officials has developed proposals for consideration by the Public Audit Committee. As part of this process, the secretariats of the Finance and Infrastructure and Capital Investment committees were consulted. We will use feedback from the Public Audit Committee on these proposals as the basis for engagement with other Committees.

**By December 2013 improve the content and presentation of information about major projects to the Parliament's Public Audit Committee that it provides in its six-monthly updates. Reports should include commentary and indicators that show:**

- individual projects' progress (or changes) against approved time, cost and scope objectives
- long-term revenue commitments for projects once contracts have been signed
- estimated long-term revenue commitments for all other projects, where these have been approved for procurement. To avoid disclosing estimates for individual projects that may be commercially sensitive before contracts are awarded, reports may provide this information on a portfolio basis or according to the type of investment being made, such as roads or schools.

**Scottish Government response**

Scottish Government officials have worked with the Public Audit Committee clerk and Audit Scotland to develop proposals for improved reporting on capital projects to the Committee. I understand that this package is likely to be considered at the next Committee meeting. The proposal focuses on project progress, noting progress against approved time, cost and scope objectives, and links to information published elsewhere on long-term revenue commitments.

As outlined in my letter in August, we have published the details of unitary charge payments for past PFI projects and previous NPD projects on the Scottish Government's website. As some NPD projects in the current £2.5 billion pipeline have now reached financial close (Aberdeen Community Health & Care Village; Forres, Tain and Woodside Health Centres; Inverness College; and City of Glasgow College), we have published the details of the unitary charge payments associated with these projects in the same way as we have done for past NPD and PFI projects. We will continue to update the published information as projects reach financial close.

The proposal to present estimated ongoing revenue costs associated with NPD projects by portfolio (both those which have reached financial close and those yet to reach that stage) could disclose commercially sensitive information as there only a limited number of projects within each portfolio. The Cabinet Secretary for Finance, Employment and Sustainable Growth, through the Draft Budget 2014-15 (Annex A, p168), set out an alternative approach to tracking the long-term investment commitments, reporting on these in aggregate as a proportion of the expected future DEL budget.

**Provide improved information as noted above on individual capital investment projects to other parliamentary committees as appropriate.**

**Scottish Government response**

We will use feedback received from the Public Audit Committee on the reporting proposals that have been presented as the basis for engagement with other Committees.