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Scottish Parliament
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Dear Maureen

INFRASTRUCTURE INVESTMENT PLAN

Thank you for giving me the opportunity to talk you through issues around the Infrastructure Investment Plan on Wednesday 18 January. This letter provides some clarification on a few of the areas where I did not have the full details immediately to hand.

Capital DEL figures

The Committee questioned the 32% reduction in Capital DEL budgets. I can confirm that over the four years of the UK Spending Review period, the Scottish Government Capital DEL budget has been reduced by 32%, after taking into account the budget consequentials and updated GDP deflators provided in the UK Government's recent Autumn Statement. In other words, adjusted for inflation and presented in 2011/12 prices, Capital DEL in 2014/15 will be £2,308 million compared to £3,379 million in 2010/11.

There was a significant fall in the Capital DEL made available to the Scottish Government in 2011/12 compared to 2010/11, as can be seen in Figure 2, p10, of the Infrastructure Investment Plan. It seems likely that the lower percentage reduction mentioned at Committee was calculated using 2011/12 as the base year rather than 2010/11.

Prioritisation Criteria for Individual Projects

I also promised to provide you with more detail on how we assess and prioritise individual projects. The Committee enquired about the assessment of individual projects lying behind Figure 3, p13, of the Infrastructure Investment Plan. The intention behind the graph was to give an overview of the impact of the investment programme as a whole, based on an initial high level assessment. For individual projects and programmes, business cases will be developed that will explore in-depth the impacts on sustainable economic growth, carbon, public service provision and employment opportunities.

It is expected that most of the investment projects and programmes will contribute to sustainable economic growth - the few that may not are those that are designed to maintain an existing public service, such as the prison building programme and the culture maintenance programme. Many of the projects and programmes involve new or refurbished buildings and will contribute to managing the transition to a low carbon economy. Some of the other projects and programmes – trunk road improvements and broad programmes such as the implementation of the regeneration strategy and the Commonwealth Games investment – were not assessed as contributing to this criterion.

Individual projects will be assessed and prioritised in more detail within each portfolio. For instance in transport, the Scottish Transport Appraisal Guidelines (STAG) are used. This appraisal tool uses transport planning objectives arising from an evidence-based analysis of an issue to give rise to potential solutions. Such solutions are tested against appraisal criteria including environmental, economy, safety, integration and accessibility and social inclusion. The results of the qualitative and quantitative appraisal is presented in a consistent manner to decision makers without weighting of individual criteria. This allows a range of factors to be considered when prioritising schemes. Schemes selected as a result of a STAG appraisal are considered to have met their Strategic Business Case.

Numbers of Projects and Programmes

The Committee asked if I could explain apparent discrepancies in the number of projects and programmes in the press release (87) and the high level assessment against the criteria (75). The 75 projects and programmes included in the high level assessment against the criteria did not include the 6 programmes of asset management and 6 programmes of smaller scale strategic investments that were included in the pipeline at Annex B.

Update on Hub South West

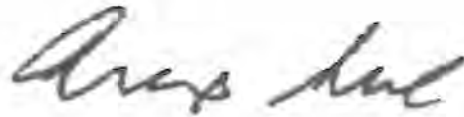
I was to send on more detailed information on hub in the South West region from Scottish Futures Trust. Hub is being delivered through five geographic territories. In each territory the participating public bodies team up with a private partner to form a new joint venture company known as a hubco that will deliver a pipeline of projects over the next ten years. Under this joint initiative a supply chain of contractors, designers and consultants is created. Contractors, designers and consultants of all sizes can apply to join this supply chain.

In the South West of Scotland three bidders have been shortlisted who will now go through to the final stages of the tendering process. The shortlisted bidders, Triarch (comprising Laing O'Rourke PLC, Hochtief Concessions AG, Dawn Group Limited and Currie & Brown UK Limited); WMS Partnership (comprising Wellspring Partnership – Morgan Sindall Group PLC, Apollo Capital Projects Limited, Community Solutions Investment Partners Limited – Miller Corporate Holdings Limited and Cyril Sweet Group PLC, and finally Alliance Community Partnerships (comprising Equitix Holdings Limited, Kier Scotland, Galliford Try PLC, Davis Langdon LLP and John Graham Holdings Limited) were chosen from seven applications by the SFT and the South West hub programme board.

The final bidders will now go on to submit more detailed applications which will be submitted in June 2012 and the South West hub programme board will select its preferred private sector partner in August 2012.

Hub South West operates for the benefit of the communities served by North Lanarkshire, South Lanarkshire, Dumfries and Galloway, South Ayrshire, East Ayrshire and North Ayrshire Councils. Joining those authorities in partnership are NHS Lanarkshire; NHS Dumfries and Galloway; NHS Ayrshire and Arran; Strathclyde Police Board; Dumfries and Galloway Police Board; Strathclyde Fire & Rescue Service Board; and Dumfries and Galloway Fire & Rescue Service Board, Loreburn Housing Association, the State Hospitals Board for Scotland, NHS National Services Scotland and Irvine Bay Regeneration Limited. When operational, the South West hub will deliver construction of circa £500m of public sector infrastructure projects.

I hope this is helpful.



ALEX NEIL