

**CORRESPONDENCE FROM THE SCOTTISH GOVERNMENT TO THE
FINANCE COMMITTEE, DATED 31 JULY 2015**

Deputy First Minister
and Cabinet Secretary for Finance, Constitution and Economy
John Swinney MSP

T: 0300 244 4000
E: dfm@scotland.gsi.gov.uk

Kenneth Gibson MSP
Convenor
Finance Committee
The Scottish Parliament
Edinburgh
EH99 1SP



31st July 2015

Dear Kenny,

NPD PROGRAMME

I write to advise the Committee, following our earlier correspondence, that the Office of National Statistics (ONS) has today published the conclusions of its review of the classification of the Aberdeen Western Peripheral Route (AWPR) project.

The ONS has concluded that the project will be classified to the public sector. I have provided an update to Parliament today through the enclosed Inspired Parliamentary Question and intend to provide a further update when Parliament returns from recess.

I am copying this letter to the Public Audit Committee, as per previous correspondence.

Yr aye,
JS

JOHN SWINNEY

SCOTTISH PARLIAMENT

WRITTEN ANSWER

31 July 2015

Index Heading: Finance

Mark McDonald (Aberdeen Donside) (Scottish National Party): To ask the Scottish Government whether it will provide an update on the non-profit distributing (NPD) pipeline of infrastructure investment.

S4W-26951

John Swinney

I advised Parliament in February that recent updates to relevant Eurostat technical guidance on Statistical Accounts (the European System of Accounts – ESA 10), which came into effect in September 2014, could have implications for the NPD and Hub investment programmes.

In December 2014 the UK Office for National Statistics (ONS) decided to review the classification of the Aberdeen Western Peripheral Route (AWPR) project. ONS has now reported and I am in a position to update Parliament.

ONS has advised that, in light of the new guidance, the AWPR will be classified to the public sector. This is based on their interpretation of the degree of public sector control over the Special Purpose Vehicle established to deliver the project and the balance of risk and reward between the public and private sector partners that effectively caps the profits that can be achieved by the private sector.

I have instructed the Scottish Futures Trust to engage with the ONS and other parties to clarify the basis of this interpretation and the potential implications for the future contractual arrangements for the AWPR, with a view to securing private sector classification.

The ONS' conclusions will have no effect on the timetable or cost of the AWPR project.

ONS has also confirmed that it will review two other NPD projects signed since September 2014 – the Dumfries and Galloway Royal Infirmary and the Edinburgh Royal Hospital for Sick Children – with a view to providing a classification opinion on these projects later in the year. Scottish Government and the Scottish Futures Trust will consider the implications of the AWPR opinion for these projects.

The ONS review will not affect the delivery timetable or cost for either of these signed projects.

In light of today's opinion on an NPD project I am considering whether further changes are required to the hub model. There is likely to be some further impact on the delivery timetable for hub projects that are in the current pipeline. The Scottish Futures Trust will engage closely with project partners to discuss the implications for them.

As the ONS review has opined that the AWPR will be classified to the public sector, Scottish Government officials are engaging with HM Treasury officials to address the timing and nature of budget treatment. Parliament will recall that I indicated in my earlier statement in

February that I had secured an additional £300 million in Budget cover from HM Treasury to deal with potential consequences that may arise from this ruling.

I will report further to Parliament early in the next term. I can assure Parliament that I am taking all appropriate action to protect vital capital investment in Scotland and to manage the implications of the latest guidance on classification on the NPD programme and the Scottish Budget.

SCOTTISH GOVERNMENT

