Dear Sirs

Call for Evidence: Scottish Futures Trust/ NPD Programme

We refer to the above request for evidence and we understand the finance committee is interested in hearing views on the SFT's performance against their stated aims around the 6 main areas listed below, we trust our response will be of use in your review process.

Kier Group has a turnover of over £200m in Scotland and operates across a number of areas including the provision of services in Construction, House Building, Infrastructure and Services, in parallel we also provide Design Services from our Mouchel Consulting business, therefore those matters are of importance to us in our business planning activities.

Kier Construction are part of The Scottish Contractors Group (SCG) who will be submitting separately the collective views of the members, the following views are Kier's only and in many cases are likely to overlap with those of the SCG, we do however believe it is worthwhile providing you with our own views on these matters

1. **Securing additional investment:**
   The SFT as a vehicle over the last number of years has provided a focal point which has allowed additional investment to be secured within the Scottish economy, whilst the level of this investment was lower than would have been liked, it was consistent throughout the recessionary period and this created a pipeline of building and infrastructure projects through that time. The investment created in many cases was over and above the funds available for capital projects, and the additional investment allowed further projects to be created than may otherwise have happened.

   The drive provided by SFT has also been instrumental in ensuring that private equity was attracted to the various NPD and DBFM type projects, ie Roads projects were procured in the period as were schools and healthcare schemes, these were procured either as standalone projects or as part of the overall Hub process, but the additional investment allowed them to progress.

2. **Securing better value for money and improved public services:**
   The SFT has been instrumental in ensuring a focus has been maintained on Value for Money and ensuring best options employed. Working in collaboration with the private sector and driving "Value for Money" solutions has seen projects being delivered which may otherwise have stalled due to not being initially affordable.

   The SFT mission is stated as being to improve efficiency and effectiveness of infrastructure investment etc….leading to better VFM and improved public services, when this is coupled with a collaborative approach with industry it can be seen to have been effective.
It is however necessary for a balance to be struck between the ambition for efficiency and a continuous drive to seek further and more discounts from suppliers to make projects affordable, effectively at the expense of the private sector where supply chains have been struggling to survive through recessionary periods.

As the market place recovers a review by SFT as to what constitutes VFM will probably be required to ensure that best value continues to be obtained whilst retaining the attractiveness of projects and ensuring the private sector is attracted to investing in them. This will also apply to the level of investment or input at risk which design consultants, suppliers and operational delivery companies provide early on in the feasibility stages of projects.

3. **Fostering innovation to improve outcomes:**

There has been a need for innovation across the board from inception, through design, procurement and delivery of projects to ensure that affordability targets could be achieved and projects taken forward, this has had the benefit of stimulating the economy in Scotland. It is well known that investment in infrastructure and construction has a substantial knock on effect within the economy, as there are many other industries which rely on supplying these sectors, all with their own consequential knock on economic benefits.

The SFT have a mixed team of staff from public and private sector backgrounds, and are able to work with various stakeholders to ensure innovative ideas, processes or methods can be applied where appropriate to ensure effective outcomes are achieved. We at Kier have first-hand experience of this via the Hub procurement vehicle, which has potential to achieve continuous improvement through collaboration with nominated supply chains across a programme of works allowing continuous improvement and benefits to be generated on a “production line” basis for projects such as schools.

In order to assist with improving outcomes SFT have produced various “lessons learned” reports and “Guidance Notes”. These documents have not only helped the various Council Authorities but also the Tier 1 Contractors to understand and learn from any previous projects where the client/contractor had conflicts or issues. In addition to this, SFT team members have regularly met with Kier senior management to share best practise. These meetings have been very productive to highlight potential pitfalls encountered on previous projects- in-line with the lessons learned and guidance documents issued above.

4. **Encouraging collaboration to improve efficiency**

We have responded in part to this in the previous answers above, collaboration is important in driving continuous improvement and efficiencies into delivery programmes and SFT teams have understood and encouraged the need for this, at the same time understanding the need for certain barriers to remain in place to ensure probity and competitiveness is retained within the overall process ensuring VFM achieved each time.

There is still work to be done in this regard and there is further potential for benefits to be gained, for example Tier 1 contractors on Hub being able to collaborate more, particularly in the research and development of design and construct solutions which can be shared across programmes of works. This has been done effectively in England on P21+ schemes where collaboration on selection of suppliers and service providers has led to efficiencies, this along with the use of NEC format has ensured conflicts are avoided leading to further efficiencies.

There could also be further work done on driving the use of BIM which could assist from inception of projects requirements through to the asset management phase.
5. **Securing better outcomes including job creation, training and apprenticeships, environmental sustainability, broader community benefits and digital connectivity**

The ability of Scottish Economy to provide investment in infrastructure and construction projects has allowed industry to look at how best to address the labour market and the skills shortage which is becoming increasingly evident as the market starts to recover. Investment in Projects allow companies to look at investment in creating roles for graduates, undergraduate schemes, training schemes and apprenticeships which are transferable between contractors to ensure that young people are able to complete their chosen form of career progress. By setting targets and KPIs which have to be met, this provides a good challenge to industry to ensure that job creation and development of SMEs are encouraged and generally this is also looked at within staged radius of projects to ensure the maximum benefits remain within the communities.

Collaboration has been particularly effective on job creation, training and apprenticeships as this part of the project/ KPI’s is less competitive and tier 1 contractors are more likely to share best practise in this regard.

6. **Any other comments you might have on the SFT’s work towards achieving its key aims**

Continuous engagement with industry via forums and collaboration sessions and feedback will assist in a genuine 2 way exchange of ideas and information. An open communication of potential pipeline of works will also allow industry to plan resource and investment commitments to ensure maximum benefit achieved.

We are also of the view that widening the Asset Management of the public estate would drive further benefits and efficiencies from collaboration between public and private sector.

We at Kier are keen to continue to input and assist the SFT going forward as there is a need to build on the work already done to ensure the benefits obtained to-date are continued and improved on again and this can be done by a continual collaborative approach to ensuring the growth of the Scottish Economy.

We look forward to continuing to engage with the SFT in driving forward as many initiatives both as part of the SCG and from a Kier Group perspective.

Yours faithfully
for Kier Construction Ltd

Brian McQuade
Managing Director