Thank you for inviting evidence for the Scottish Parliament Finance Committee related to the Scottish Futures Trust (SFT). I respond on behalf of NHS Ayrshire and Arran and set out my response against the aims of the SFT.

The SFT role in securing additional investment was necessary because austerity cuts led to reduced capital funding available to the Scottish Government. The SNP policy against private finance initiative meant that an alternative was required and the NPD programme emerged from this. The scale of investment through NPD and hub companies amounting to £3.5 billion is testament to the SFT role in securing additional investment.

NHS Ayrshire and Arran were able to progress with a new mental health and community hospital in Irvine (which will open in May 2016) with a capital value of £47 million through the NPD programme, which would not have been possible without revenue support from Scottish Government. Similarly a number of schools in Ayrshire are being built through hub Southwest with revenue support from Scottish Government through the Scotland’s Schools for Future programme.

SFT role in securing better value for money and improved public services is demonstrated through the cost and area metrics which are used for projects and the gateway review process. Hub companies have also brought together public sector planning bodies such as health boards, councils and others on a regional basis to develop projects with a private sector provider and the economies of scale and speed of procurement have mitigated against construction industry inflation which is now increasing. This also demonstrates the SFT role in encouraging collaboration to improve efficiency.
The SFT role in fostering innovation to improve outcomes is demonstrated by the quote below from NHS Ayrshire and Arran Director of Corporate Support Services, John Wright:

“SFTs comprehensive and in-depth review of our PPP contracts identified opportunities for improvement in how we manage these complex and challenging contracts and ensure that they deliver a safe and effective service for our patients. The in-depth experience, knowledge, and learning provided by SFT colleagues has been captured and transferred to our own staff. This has provided us with the confidence and expertise to deal with these large PPP contracts and ensure that they deliver value for money for the people of Ayrshire and Arran, whilst at the same time improving business relationships with our contractors.”

SFT national role allows shared learning across sectors and geographical areas which can benefit all. A practical outworking of this is SFT staff who sit on various hub company boards or Territory Partnering Boards or in an NPD project on various programme boards.

The £3.5 billion investment in capital projects would not have been as large had it not been for SFT and therefore this demonstrates how they have helped secure better outcomes, including job creation, training and apprenticeships, environmental sustainability, broader community benefits and digital connectivity.

One major concern that has arisen is whether the projects through NPD or hub may end up on the balance sheet of the public sector based on ESA 10 rules and this requires to be resolved to prevent a slowdown in the pipeline of projects. SFT are taking the lead in resolving this along with Scottish Government and they have expert staff to do this on behalf of the public sector in Scotland.

A further uncertainty around future flow of projects through NPD or hub relates to continued revenue support for new projects from Scottish Government. Councils can borrow money through prudential borrowing and therefore could chose not to utilise NPD or hub companies in the future if revenue support is not available.

I trust that the above gives a flavour of how NHS Ayrshire and Arran works with Scottish Futures Trust.

Yours faithfully

Derek Lindsay
Director of Finance