



The Scottish Parliament
Pàrlamaid na h-Alba

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

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Dear Kenneth

Thank you for your letter of 29 January in which you asked the Infrastructure and Capital Investment Committee if it would wish to identify any specific areas on which it would welcome an update from the Scottish Government regarding its progress in delivering its priorities as set out in the 2011 Spending Review.

The Committee considered your letter at its meeting on the 17 April and agreed that it would request that your Committee seek a response from the Scottish Government on progress it has made towards meeting all of its key Spending Review priorities that are relevant to this Committee's remit. I have set these out as an annexe to this letter for ease of reference.

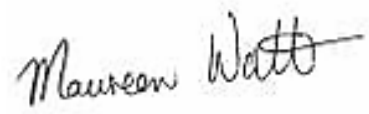
The Committee requests that a more detailed response is provided on those priorities which the Committee has not examined in to any significant extent since the publication of the Spending Review, namely:

- the delivery of initiatives under the **Scottish Futures Fund**;
- the allocation of and benefits derived from available **EU Structural Funds**;
- and the performance and benefits delivered by the **Scottish Futures Trust**.

In addition, the Committee is aware of previous announcements by the Scottish Government regarding its drive to identify alternative sources of funding, particularly in relation to housing and transport infrastructure projects and seeks a update on how successful this has been since the publication of the Spending Review.

I look forward to the response in due course which will be considered in the autumn alongside its consideration of the Scottish Government's Draft Budget 2014-15.

Yours sincerely

A handwritten signature in black ink that reads "Maureen Watt". The signature is written in a cursive style with a long horizontal flourish extending to the right.

**MAUREEN WATT MSP
CONVENER**

Annexe

The Spending Review provides detail on the spending plans for 2012 -13 under each portfolio, and details the following priorities for the Spending Review period which are relevant to the ICI Committee's remit—

Transport

By taking these difficult decisions and maximising the level of efficiencies that can be achieved, we are able to protect expenditure that supports economic growth and the delivery of key priorities within the Infrastructure and Capital Investment portfolio.

Our key infrastructure priority, central to Scotland's long term economic success, is to progress the construction of the Forth Replacement Crossing, the largest civil engineering project in a generation in Scotland, worth up to £1.6 billion and securing economic turnover of more than £1.3 billion and over 3,000 jobs.

To improve journey times and connections, we will take forward rail programmes such as the Edinburgh Glasgow Improvements Programme and Borders Railway; progress trunk road schemes such as the AWPR and M8 bundle; contribute to Glasgow's Fastlink in support of the Commonwealth Games; and continue to invest in the maintenance and safe operation of the trunk road network.

To support the most vulnerable elderly people and to keep money in people's pockets when they need it most we will spend £745.8 million to fund the Concessionary Fares scheme and the Bus Services Operators' Grant.

To improve quality, accessibility and affordability, we will invest £19 million in airport infrastructure at ten airports in the Highlands and Islands and at Dundee and in lifeline air services to Barra, Campbeltown and Tiree. We will maintain spending on ferry services to ensure the retention of existing services and progress the construction of the next generation of vessels and essential pier and harbour works, and we will roll out the Road Equivalent Tariff (RET) fares scheme in line with manifesto commitments.

Scottish Futures Fund

We will also act to reduce the impact of transport on our environment, reducing congestion and supporting better public transport, active travel and low carbon vehicles. The Scottish Futures Fund will deliver these priorities through the creation of a Future Transport Fund.

With rises in energy prices likely to continue in the future driven by the fluctuations in world fuel markets, many households in Scotland are vulnerable to fuel poverty. The Scottish Futures Fund will support the creation of a Warm Homes Fund to increase the impact we are already making through our fuel poverty and energy efficiency programmes.

Housing and Regeneration

In regeneration, we are engaging with key stakeholders to ensure that our new regeneration strategy will deliver a long term sustainable approach to improving the wellbeing of all our communities. We will provide the leadership and direction needed to enable key players at national and local level to respond to and address the decline in our cities, towns and communities. A key part of the strategy will consider how our funding streams can best support this work.

We will also look towards innovative funding models which can further augment this.

In housing, our vision is for a housing system that provides an affordable home for all. We are committed to increasing the supply of housing across all tenures, to provide homes for our growing population and to boost economic recovery through the construction industry. We have made a decisive change in the way we support new housing developments, using government funding to lever in the maximum possible investment from other sources. We recognise the vital role of social housing in providing people with an affordable home and a platform for getting on in life, and we will also support intermediate products such as shared equity and homes for intermediate rent. Overall, our commitment is to deliver 30,000 affordable homes over the life of this parliament, including 5,000 new council homes over the next five years. The growth in numbers of older people poses particular issues for housing, and we will publish a national strategy on housing for older people.

We will also continue to improve the quality of Scotland's housing stock. This will include investing in initiatives to improve energy efficiency, which will help reduce carbon emissions and reduce household fuel bills. We will continue to tackle fuel poverty through the *Energy Assistance Package (EAP)*, *Universal Home Insulation Scheme*, and *Boiler Scrappage Scheme*. Households receiving assistance through EAP have together seen annual fuel bill savings of £12 million since its introduction. In addition, our £50 million Warm Homes Fund will deliver renewable energy and energy-efficient homes in those communities worst affected by fuel poverty. Our *Boiler Scrappage Scheme* has also proved very popular and we shall continue to fund the scheme, providing support for 30,000 new boilers over the course of the next parliament.

Digital

Our key priorities for the Spending Review period are:

- to deliver the ambition for next generation broadband to all by 2020, with significant progress by 2015, as set out in Scotland's Digital Future: A Strategy for Scotland; and
- to ensure that businesses across Scotland have the skills and aspiration to enable them to innovate and compete in the global digital economy.

European Union Funds

The bulk of the European Structural Funds allocation for 2007-13 is already committed, and the projects benefiting from this funding have supported economic recovery by delivering more jobs and better skills. We are now seeking to allocate the remaining funding towards key priorities which can contribute to

our long-term economic prospects and creating opportunities throughout Scotland, such as the potential £25 million investment in rural broadband, which we are working with the European Commission to deliver within the current programme.

The next European programmes will start in 2014, and it will be critical for Scotland to be able to access this funding as early as possible, so that this important additional funding can help with the economic recovery. We will ensure that all European funding is better integrated, and that we have a strong focus on key priorities which can help drive a transformational change in the Scottish economy and society, including renewable energy, research and innovation, digital connectivity, social inclusion, access to finance, business support and urban and rural community development.

Scottish Water

The delivery of the 2010-15 investment programme is already underway and is delivering further improvements to water and wastewater services. Monitoring reports on Scottish Water's progress are published quarterly on the Government's website. ^[4] The report for the fourth quarter of 2010-11 shows that Scottish Water's capital programme is ahead of schedule and that, in 2010-11, levels of service improved and levels of leakage reduced by a further 39 million litres a day (leakage is now 37 per cent less than in 2006). Further details of the improvements delivered in 2010-11 are available in *Scottish Water's Annual Report 2010-11* ^[5].

Together with Scottish Water's regulators we will ensure that the investment programme is delivered to time and to budget. Furthermore, we will start work to define the investment programme for the next regulatory period 2015-20, providing clarity to Scottish Water, its regulators and the construction industry of the scale and type of investment that will be required.

Procurement

The public sector in Scotland spends around £9 billion each year buying goods, works and services, and can, through its procurement policy, exert a significant influence on delivering the Purpose framework. We will continue to lead the *Public Procurement Reform Programme*, and to deliver efficiency savings from collaborative procurement. Improved Scottish Government-led procurement is intended to deliver savings of £61 million in 2011-12, and over the next three years some £200 million from the Scottish Government family, and £400 million from the wider public sector procurement. More detail can be found in *Efficiencies from Procurement*.

Our actions will include:

- using public procurement to maximum effect so that the public sector makes better use of its purchasing power to help deliver sustainable economic growth. Specifically, whilst European Commission rules do not allow us to discriminate in favour of Scottish firms, we will help public bodies to design their contracts in a way which gives Scottish firms, particularly SMEs, a fair chance to compete;

- continuing to develop the suite of e-commerce shared services which underpin procurement reform. We are working closely with the private and third sectors to introduce improvements - for example, to allow increased use of Quick Quote (an electronic system which allows buyers to ask for competitive quotes for low value purchases, without the need to go through a full European-style procurement exercise). Further improvements will include a standard prequalification system for use across the Scottish public sector;
- using public procurement to encourage innovation in both the public and private sectors - allowing bidders for work to come up with new ideas wherever possible;
- encouraging a broad consideration of sustainability in contracting, for example by using community benefit clauses in contracts to provide training opportunities for local people, or by reserving contracts for supported businesses; and
- lobbying for changes to the European Commissions procurement rules which will allow public bodies to consider local economic impact in their contract award decisions.

Scottish Futures Trust

Maximising investment to support the economy and getting better value for money from capital spend are key priorities for the Government. SFT has a key role to play in this, developing and helping to deliver innovative new financing mechanisms such as the Non-Profit Distributing model, National Housing Trust and Tax Incremental Finance. SFT also plays an important role in driving value for money in capital spend, supporting collaborative procurement through hub and more standardised and cost-effective design through the schools programme.