



Scottish Government Infrastructure Plan

This APSE briefing gives both a summary and insight into the recently produced Scottish Government Infrastructure Plan. It needs to be considered in relation to both the:

- Scottish Government Spending Review for 2012/15 and draft budget for 2012-13.
- National Economic Strategy

Key Issues

- The Scottish Government have now produced their Infrastructure plan which contains over 80 projects for delivery.
- The infrastructure plan has a role to play in lifting communities and economies out of the recessionary climate.
- The Infrastructure plan represents an ambitious capital delivery programme, however it is only 25% funded.
- There is a lively discussion around the project/maintenance elements within the plan. The extent to which the plan is fully funded and costed is a point of debate.

1.0 Background

1.1 The Scottish Government have recognised the need to protect the economy and communities from the harsh conditions which the country is facing as a consequence of the current European crisis together with the implications of the UK Governments deficit reduction plan. The Scottish Government for their part fully recognise the strategic importance of capital expenditure in the current climate as a tool which can re-inflate the economy by stimulating demand and much needed growth. The recent Scottish Government Spending review witnessed a £100m switch of revenue to capital to support much needed growth. This needs to be viewed against a 36% reduction in capital resources as a consequence of the UK spending review.

1.2 The Scottish Government have now produced their Infrastructure Investment Plan which highlights the reasons for investment, how capital finance will be used, what policy areas will receive investment and the associated programmes and projects that will be implemented over the next 10/20 years.

1.3 The Scottish Government view investment in infrastructure programmes as being a key driver in terms of creating economic growth over both the short and longer term.

The associated investment is linked to the recently produced Economic Strategy, which places an emphasis on public sector resourcing in relation to:-

- Creating a supportive business environment
- Moving towards a low carbon economy
- Promoting learning, skills and well being
- Improving places
- Creating effective Government
- Securing a more equitable country

The Infrastructure Plan has an inbuilt bias towards developing and improving places.

2.0 Availability of Funding

2.1 The Infrastructure Plan acknowledges the 36% reduction in capital budgets by 2014/15 as compared to 2010/11. In order to secure the required growth the plan identifies a range of capital funding sources including:-

- Non-profit distribution (NPD)
- Regulatory Asset Base
- Tax Incremental Financing which includes the Waterfront development in Edinburgh and the Ravenscraig project in North Lanarkshire.
- National Housing Trust
- Jessica Fund
- Hubs

2.2 There will be a key role for the Scottish Futures Trust in securing greater value for money from the funds using innovative financial methods, facilitating collaborative procurement and asset management. The Infrastructure Plan recognises that the local government sector has a key role to play in using its own borrowing powers to support capital developments. For the period 2010-11 some £1.1bn of capital spend was supported by the local government sector in Scotland.

3.0 Priorities

3.1 As mentioned the Infrastructure Plan is based on a number of key priorities. More specifically the following four priorities will influence the deployment of resources in the future:-

- Sustainable economic growth
- Low carbon economy
- High quality and efficient public services
- Supporting employment and opportunity

The Infrastructure Plan identifies specific areas for investment which include:-

- Cities and their Regions

- Transport links
- Broadband infrastructure
- Renewables
- Asset management
- Modern Apprentices

Emphasis is placed on the role of public sector procurement in terms of its ability to promote growth and jobs. The use of community benefit clauses within contracts is seen as a key priority.

4.0 Programmes and Projects

4.1 The Infrastructure Plan contains some 80 projects which are clearly identified for delivery. The following projects are of particular interest to the local government sector:-

- Forth replacement crossing
- Edinburgh – Glasgow rail improvements
- Low carbon transport (vehicle charging)
- Next generation broadband
- Renewal Energy
- Renewables
- Scotland schools for the future
- Affordable housing – completing 30,000 affordable homes by 2016
- Fuel poverty and energy efficiency
- Warm Homes Fund
- Resources to support Regeneration Strategy

5.0 APSE Comment and Conclusion

5.1 The Infrastructure Investment Plan is welcomed in terms of its potential to lift and ease Scotland and in particular communities out of the current deep rooted recession. APSE is of the view that in many ways the best way to breathe life into a flagging economy which is gasping for air is not to strangle it of much needed oxygen. The Infrastructure Plan is particularly ambitious given the current spending cuts planned by the UK government. However, concerns remain about whether the plan has been fully costed, this has led to some observers expressing a degree of concern about the deliverability and timing of the projects.

5.2 A significant proportion of the 80 projects were already planned, for example many of the transport projects were contained in the previous Strategic Transport Projects Review. There is therefore, an element of rebranding within the Infrastructure Investment Plan. Many other detailed projects were already pipelined for delivery.

- 5.3 As it stands only £12.8bn of the £60bn Infrastructure Plan requirement is contained within approved spending plans and this includes the replacement Forth Road crossing which has a budget cost of £1.6bn and is scheduled for completion in 2016. In addition, there is a considerable maintenance element as opposed to projects within the plan.
- 5.4 Resources will obviously need to be sourced to enable delivery. The Scottish Government will use a “blended” model of public funds together with a mix of new loans and investment from banks and private lenders.
- 5.5 Work produced by APSE supports the Scottish Government in terms of the proposition that every pound invested in infrastructure generates a very healthy economic return and improves the long term economic potential. For every £100m extra spent it should generate £160m of economic activity and support 1400 jobs. In this regard the Infrastructure Plan is worthy of support as a matter of principle. However, legitimate concerns exist concerning the costing and funding of the plan by the Scottish Government together with phasing and timing issues.
- 5.6 It is interesting to note that the Scottish Government intend to use powers contained in the Scotland Bill to facilitate further borrowing from the UK Treasury. However, it also needs to be noted that borrowings on current departmental expenditure is limited at 5%. By 2016 borrowings will reach 4.7% hence the scope for securing further projects via traditional borrowings will be limited. Hence, the importance of alternative funding models such as the N.P.D model. But again many of these funding models share a common characteristic in that they are based on borrowing abilities.