

# Public Audit Committee

**15th Meeting, 2022 (Session 6), Thursday, 19  
May 2022**

## **Major Capital Projects: Accountability and governance arrangements**

### **Introduction**

1. The Public Audit Committee will today take evidence from Scottish Government officials on the management of public sector Major Capital Projects (MCPs). The Committee seeks to explore today the governance, assurance and oversight arrangements that are in place in respect of these public sector MCPs.
2. To inform the evidence session, the Scottish Government's Infrastructure and Investment Division has provided a written submission setting out an overview of the governance that applies to infrastructure investment projects funded and delivered by the Scottish Government and relevant partner bodies. This can be found in the **Annexe**.

### **Background**

3. The Scottish Government began providing six-monthly update reports to the Session 3 Public Audit Committee on the progress of MCPs in 2009. This was in response to recommendations contained in its report, [Major Capital Projects](#).
4. The Session 6 Public Audit Committee agreed that it wished to continue to receive these six-monthly updates and [the latest update](#), from December 2021, is available on the Committee's webpage. The next updated is expected to be received in early June 2022.

### **Next steps**

5. The Public Audit Committee will decide any further action it wishes to take after it has taken evidence from Scottish Government officials.

**Clerks to the Committee  
16 May 2022**

**Annexe**

**Scottish Government Infrastructure and Investment Division written submission, by e mail, 11 May 2022**

**INFRASTRUCTURE INVESTMENT AND GOVERNANCE IN SCOTLAND**

**Introduction**

1. This paper provides an overview of the governance that applies to infrastructure investment projects funded and delivered by the Scottish Government and relevant partner bodies, to support the Scottish Parliament's Public Audit Committee session on 19 May. Information for the Committee's subsequent session on 30 June will be provided through the 6-monthly pipeline report by early June.
2. The 2022-23 Scottish capital budget totals over £6 billion. This comprises the Capital DEL (CDEL) and Financial Transactions (FT) block grant allocation from the UK Government, capital borrowing, and drawdown from the Scotland Reserve. Where projects are collaborations with local authorities (growth accelerator, Learning Estate Investment Programme), the UK Government (city deals) or the Private Sector (investments made by the Scottish National Investment Bank and enterprise agencies) Scottish Government investment can leverage additional funding for projects.
3. In Scotland, we have been developing and enhancing our approach to Infrastructure over recent years. The Scottish Government publishes regular Infrastructure Investment Plans in order to set out its strategic vision for public investment in infrastructure, commonly over periods of five years. The most recent Plan was published in 2021. These Plans are monitored annually and every six months we publish detailed information on the major projects ongoing and planned in Scotland<sup>1</sup>.
4. The European Cooperation in Science and Technology (COST) found that Scotland has a high level of transparency in the data that is disclosed throughout infrastructure project delivery, in comparison with the United Kingdom and internationally.
5. Scottish Ministers established the Scottish Futures Trust (SFT)<sup>2</sup> in 2008 to help ensure better value for taxpayers' money in the delivery of public infrastructure projects. The SFT aims to improve the efficiency and effectiveness of

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<sup>1</sup> <https://www.gov.scot/policies/government-finance/infrastructure-investment/>

<sup>2</sup> <https://www.scottishfuturestrust.org.uk/>

infrastructure investment in Scotland by working collaboratively with public bodies and industry.

6. The Scottish Government established the Infrastructure Investment Board (IIB) in November 2010 to take an executive role in infrastructure governance within Scottish Government, working alongside individual portfolio investment boards and the Scottish Futures Trust.
7. In 2018, the Scottish Government announced a new National Infrastructure Mission to increase annual investment in infrastructure by 1% of 2017 Scottish GDP by 2025-26. The economic rationale for the National Infrastructure Mission was supported by a paper produced by Scottish Government analysts<sup>3</sup>, which sets out the important role that infrastructure investment plays in improving the productive capacity of the economy and delivering long run economic benefits. This analysis draws heavily on OECD research. The monitoring of progress towards and challenges to the delivery of this National Infrastructure Mission are now a key aspect of the role of the Infrastructure Investment Board.
8. An independent Infrastructure Commission for Scotland was established in 2018 to provide advice on the vision, ambition and priorities for infrastructure in Scotland, supporting delivery of the National Infrastructure Mission and development of the 2021 Infrastructure Investment Plan. The Commission reported in 2020 and work is now underway to develop the next Infrastructure Investment Plan (IIP) with early thinking focusing on the best approaches to needs assessment and public engagement.

### **Roles within Infrastructure Governance in the Scottish Government.**

#### **Governance for Infrastructure Strategy**

##### ***Infrastructure Investment Board***

9. The IIB oversees the development of infrastructure *strategy*. The IIB is an advisory body which advises the Director General for Scottish Exchequer in the execution of her role to advise ministers on the development of the Scottish Government's infrastructure strategy.
10. Infrastructure strategy is developed through a range of mechanisms. The most recent IIP was built around the advice of the Infrastructure Commission for Scotland, and work to develop the next IIP continues to build on the recommendations on the ICS recommendations. This work is overseen by the IIB, and supported by an Infrastructure Advisory Group made up of representatives of the capital investing portfolios.

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<sup>3</sup> <https://www.gov.scot/publications/exploring-economic-rationale-infrastructure-investment/>

11. The infrastructure strategy agreed by Scottish Ministers informs the capital allocations presented to Parliament by the Cabinet Secretary for Finance and Economy in Capital Spending Reviews and annual budgets. While it does not set capital allocations or take decisions about whether individual programmes and projects should be prioritised (this is for the Cabinet), the IIB has a key role in ensuring that infrastructure strategy is built into the overall approach that is taken.
12. The elements of infrastructure strategy considered by the IIB include:
  - a. Delivery of the National Infrastructure Mission and the factors that influence that delivery;
  - b. Development of the next Infrastructure Investment Plan;
  - c. Implementation of the recommendations of the Infrastructure Commission for Scotland;
  - d. Oversight of the development and appropriate governance for innovative finance tools and approaches.
13. Delivery decisions at programme level are guided by the strategies developed across the SG (for example in relation to different sectors, such as the periodic Strategic Transport Projects Review led by Transport Scotland and multi-year investment plans in areas such as the NHS or Justice estate, or cross-cutting themes such as net zero and economic development) and the IIB's remit includes bringing thinking on these strategies together to enhance cohesion and collaboration in the development of an overarching Scotland-wide infrastructure strategy. Such an approach complements other strategies that have a reach across government, such as the National Planning Framework.
14. While the IIB is not the governance board for individual projects and programmes, it does have a role in ensuring that Accountable Officers (AOs), Senior Responsible Owners (SROs) and the programme and project teams they put in place to lead infrastructure investments have adequate policies, guidance and support to enable them to deliver their responsibilities effectively. Finally, the IIB has a role to ensure that there is reflection and learning taken from new, complex or innovative investments, and that this is effectively shared across portfolios.
15. The remit of the IIB is set out in Annex A.

### ***Scottish Futures Trust (SFT)***

16. As noted above SFT was established in 2008 to help ensure better value for taxpayers' money in the delivery of public infrastructure projects. The SFT's purpose as set out in its corporate plan is to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland

and hence contribute to the Scottish Government's overarching purpose to increase inclusive economic growth. The SFT is an NDPB and has its own Board and adheres to the Management Statement and Financial Memorandum agreed with Scottish Ministers.

17. SFT is a key advisor to SG policy teams and the Infrastructure Investment Board on approaches to funding and financing infrastructure projects. They also support the delivery of projects providing commercial and sectoral expertise.

## **Governance for Infrastructure Delivery**

### ***Accountable Officer's Responsibilities***

18. Directors General (DGs) are responsible for families of directorates - the building blocks of the core Scottish Government. DGs and Directors together provide strategic direction and leadership and are the key management team of the organisation as a whole. They, as delegated by the Principle Accountable Officer, have responsibility for the delivery of all infrastructure investments in their area of delegated authority.

19. All Accountable Officers, whether Director Generals or Chief Executives of Executive Agencies or NDPBs are personally answerable to the Parliament for the exercise of their functions and have a duty to:

- a. Ensure propriety and regularity of public finances;
- b. Ensure Value for Money – of all related resources judged for the public sector as a whole;
- c. Have clear lines of delegation and accountability; and support for undertaking these functions;
- d. Ensure risks are managed effectively;
- e. Make sure procurement guidelines are met;
- f. Secure Best Value; and
- g. Seek written authority from Ministers if any action is inconsistent with proper performance of the accountable officer's functions.

20. The main responsibilities of the AO are set out in the Accountability chapter of the Scottish Public Finance Manual (SPFM).

21. Local governance arrangements for infrastructure investments vary and are intended to be fit for purpose in relation to the scale and type of investment and the operating model of the public body responsible for delivery. To ensure effective delivery of investments AOs implement the necessary project and programme management regime to give themselves assurance about the progress of infrastructure investments in their area. These arrangements draw on

guidance in the SPFM. Where appropriate they will arrange for gateway reviews at key decision points in the project or programme.

22. Responsibility for construction procurement decisions rests with the Accountable Officer within the public body undertaking the procurement. Advice and guidance on procurement can be obtained from Scottish Procurement and Property Directorate if required. Procurement Regulations are supplemented by policy notes issued by SG whereby guidance on topics such as Fair Work or Prompt Payment is provided.
23. All reporting on delivery and budgets comes to the AO through the AO assurance process. Where there is significant risk to delivery this is escalated to the Scottish Government Audit and Risk Committee.
24. Whilst the delivery of individual projects remains, rightly, the responsibility of the relevant accountable officer, in response to the recommendation in paragraph 58 of the Public Audit Committee report on Audit Scotland's Review of Major Capital Projects in Scotland from June 2008, the Scottish Government provides the Public Audit Committee with a six-monthly Major Capital Projects Progress Update associated with infrastructure projects and programmes within the Infrastructure Investment Plan (IIP). This, of late, has comprised two project reports, the IIP Major Capital Projects Progress Update and the IIP Project Pipeline Update as well as the IIP Programme Pipeline Update. In addition, every twelve months, the update will also include an extract and/or link to an annual IIP Progress Report on the preceding year.
25. The two project reporting updates comprise delivery information on projects with a capital value of £5 million or more where Scottish Government has the lead role in procurement or funding. The IIP Major Capital Projects Progress Update includes projects that have an Outline Business Case (or equivalent) approved whilst the IIP Project Pipeline includes those projects that do not. The IIP Programme Pipeline outlines information relating to key major infrastructure programmes with an investment of £20 million or more.

#### ***Additional governance and support for infrastructure delivery***

26. The Infrastructure Investment Board has a role to consider delivery of Scottish Government Infrastructure Investment Plans in the round, considering issues which will affect the delivery of investments. These issues include both internal factors (such as capacity and capability within project teams) and external factors (such as cost inflation and supply chain issues).
27. AOs and project and programme teams are supported in the delivery of their projects/programmes by central teams within the Scottish Government including

(within DG Corporate) Scottish Procurement and Property Directorate, Financial Management Directorate, and (within DG Scottish Exchequer) the Infrastructure and Investment Division and the Internal Audit and Assurance Directorate.

Scottish Government Infrastructure and Investment Division

May 2022

**ANNEX A**

**IIB: Vision, Remit and Responsibilities**

<p><b>Vision</b></p>	<p>IIB strengthens strategic direction, prioritisation and oversight to ensure coherent advice and aligned delivery of an effective, fiscally sustainable programme which maximises Ministers’ ambition for infrastructure investment.</p> <p>The Infrastructure Vision as set out in the Infrastructure Investment Plan is as follows:</p> <p><i>Our infrastructure supports Scotland’s resilience and enables inclusive, net zero and sustainable growth.</i></p> <p><i>It aligns with the National Performance Framework across its work. In particular it aligns with the Economy, Environment and Fair Work and Business themes and supports the aims of the Framework to create a more successful country, give opportunities to all people living in Scotland, increase the wellbeing of people living in Scotland, create sustainable and inclusive growth, reduce inequalities and give equal importance to economic, environmental and social progress.</i></p>
<p><b>Definition of Infrastructure</b></p>	<p>Infrastructure includes economic and social aspects, defined as:</p> <p>The physical and technical facilities, natural and other fundamental systems necessary for the economy to function and to enable, sustain or enhance societal living conditions.</p> <p>These include the networks, connections and storage relating to the enabling infrastructure of transport, energy, water, telecoms, digital and internet, to permit the ready movement of people, goods and services. They include the built environment of</p>

	<p>housing; public infrastructure such as education, health, justice and cultural facilities; safety enhancement such as waste management or flood prevention; natural assets and networks that supply ecosystem services and public services such as emergency services and resilience.</p>
<p><b>IIB Remit</b></p>	<p><b>Impactful Strategic Direction</b></p> <ul style="list-style-type: none"> <li>• Advises on the delivery of the National Infrastructure Mission, responding timeously and appropriately to scrutiny.</li> <li>• Advises on delivery of the infrastructure vision set out in the 2021-22 to 2025-26 IIP and secure Scotland's competitive advantage, including by engaging with global/ UK/ Scottish trends to support strategic coherence and an appropriate infrastructure investment approach that responds to economic and social impacts of COVID-19 and the UK's exit from the European Union</li> <li>• Advises on the implementation programme for an infrastructure investment decision framework described in the 2021-22 to 2025-26 IIP, including any changes to the infrastructure governance and delivery landscape; developing a comprehensive assessment of future Scottish needs and demands for infrastructure; and developing an enhanced approach to public engagement and participation in infrastructure investment.</li> <li>• Makes connections across investment programmes to maximise synergies and opportunities.</li> </ul> <p><b>Financially Sustainable and Commercially Sound Programme</b></p> <ul style="list-style-type: none"> <li>• Advises on improved gatekeeping processes for authorising commitments</li> <li>• Reviews projected forward capital requirements against investment envelope, maximises sustainability and resilience with improved capital utilisation</li> <li>• Reviews alternative financing models and sources of finance alongside their best application to portfolio programmes.</li> </ul> <p><b>Delivery Risk</b></p> <ul style="list-style-type: none"> <li>• Provides strategic oversight of the key risks to IIP delivery, including means and systems, and particularly relating to major projects and programmes which are reported to the Public Audit Committee</li> <li>• IIB drives improved SG capacity and capability</li> </ul> <p><b>Strong, Aligned Governance</b></p>



	<ul style="list-style-type: none"> <li>• Strengthens cohesive Ministerial action through the right, agreed roles and accountabilities</li> <li>• Improves the rhythm of advice to add value to fiscal, strategic policy and project investment decisions and announcements.</li> <li>• Increases peer communication, challenge and support</li> <li>• Improves risk management and exploitation of opportunities</li> </ul>
<b>Membership</b>	<p><b>Members of the IIB<sup>1</sup>:</b></p> <p>Alyson Stafford, DG Scottish Exchequer  Roy Brannen, DG Net Zero  Hugh Gillies, CEO Transport Scotland  Nick Ford, Director Procurement and Commercial  Gary Gillespie, Chief Economic Adviser  Kat White, Deputy Director, Infrastructure and Investment  Helen Carter, Deputy Director, Infrastructure and Investment  Shirley Laing, Director Housing and Social Justice  Jackie McAllister, Chief Financial Officer  Richard McCallum, Director of Health Finance and Governance  Fiona Ross, Non-Executive Director  Ben McKendrick, Deputy Non-Executive Director  Fiona Simpson, Chief Planner  Peter Reekie, Chief Executive, Scottish Futures Trust  Andrew Watson, Director of Budget and Public Spending</p> <p><sup>1</sup>. membership is regularly reviewed as senior officials/wider structural changes mean individuals leave and others join.</p>
<b>Proposed Measures of IIB effectiveness</b>	<ul style="list-style-type: none"> <li>• Keeps implementation of the NIM on track</li> <li>• Maximises relevant National Outcomes and an improving trend in related indicators</li> <li>• Maximises capital utilisation within investment envelope</li> <li>• Offers performance management oversight</li> </ul>