

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Council: 25 May 2011

Subject: Scottish Futures Trust – Development of the hub initiative – Identification of projects for inclusion in West Territory hub Development Programme

1. Purpose

1.1 To provide Members with an update on progress in the development of the West Scotland Territory *hubco*, and to seek Council's view as to whether to include the proposed project to develop the co-located St.Peter's Primary, Aitkenbar Primary and an Early Education & Childcare Centre within the list of "Identified" Projects of the West Scotland Territory *hub*.

2. Background

2.1 Council agreed on 28 April 2010 to take part in the development of the West Territory *hubco*.

2.2 The West Territory Project Board has, since August 2010, been developing the implementation plan to form the *hubco* and it is currently in the process of procuring a private sector development partner in order to form the *hubco*.

2.3 The Territory Project Board issued the required tendering documentation through advertising in the Official Journal of the European Union (OJEU) on 18 February 2011.

2.4 Part of the process which is now underway is to identify for potential development partners a Project Pipeline. The Project Pipeline will identify a number of projects from all partners within the West Scotland *hub* Territory in two categories:

- "Identified" projects; and
- "Possible" projects.

The purpose of the Pipeline is to allow prospective partners to gauge what potential business there may be in the future for the newly formed *hubco*.

"Identified" projects is a term used in the procurement paperwork for the procurement of the private sector development partner and gives prospective partners a basis on which to build an initial 5 year business plan as part of their bidding process.

"Possible" projects are simply a list of projects which the *hub* partners have identified as projects which may be developed at some future point and give prospective private sector development partners an idea of what potential

future work may be directed to the *hubco* – though none of these necessarily need to be taken through the *hubco*.

- 2.5 The Scottish Futures Trust (which has been tasked by the Scottish Government to lead the development of the *hub* approach across Scotland) has funding available to allow it to encourage the uptake of the use of each *hubco* by the partner agencies for capital investment projects – capital enabling funding.
- 2.6 The total capital enabling funding across Scotland is £30 million, with a minimum of £5 million available to each *hub* Territory.
- 2.7 The capital enabling funding will be used and allocated initially to the “Identified” projects, and potentially if not utilised in full by “Identified” projects, then to later projects as they come to the *hubco* for development.

3. Main Issues

- 3.1 As stated above the West Scotland *hub* Territory Board is currently procuring a private sector development partner and needs, as part of this process, to identify a Project Pipeline.
- 3.2 The capital enabling funding is intended to support and encourage early involvement and use of the *hubco* to develop projects on behalf of partners.
- 3.3 There is therefore an opportunity presently to identify appropriate projects for the Project Pipeline as “Identified” projects in the procurement process.
- 3.4 The capital enabling funding will be allocated to projects by the West Territory *hub* Board, subject to ratification by the Scottish Futures Trust.
- 3.5 As stated above it is intended that the capital enabling funding will be allocated firstly to “Identified” projects. If there is funding remaining available after that then it is possible that there may be some funding available for projects currently not identified as “Identified” projects. However this is not guaranteed.
- 3.6 It is also not guaranteed that all “Identified” projects will receive an allocation of the capital enabling funding.
- 3.7 By identifying projects as “Identified” projects partners will have those projects identified in procurement documentation as part of the Project Pipeline of likely early implementation projects for the *hubco*.
- 3.8 The expectation is that “Identified” projects will move towards development within the first 2 years of the *hubco* (*and possibly up to 5 years*).
- 3.9 Identifying a project as an “Identified” project at this stage does not at this stage fully commit the Council to procuring the project via the *hubco*. There

are further stages to go through in the development of the West Territory *hub* procurement process:

- Development of a draft West Territory Delivery Plan, which is required for the final tender in October;
- This is then refreshed for the preferred tenderer to develop their working business plan as part of the final contract approval process early in 2012; and
- Finally no project will proceed until it has secured Stage 1 approval between *hubco* and the Territory Partnering Board, realistically some time after March 2012.

This means that whilst a project has been 'identified' for delivery via *hubco* it is unlikely for the need for any formal commitment on behalf of the participant until well into 2012, and the opportunity for the Council to finally commit to the *hub* procurement route.

3.10 It is possible therefore to identify a project as an "Identified" project, subject to finance being available.

3.11 As reported in April 2010 the long term expected benefits of being involved in the *hubco* are:

- Improving efficiency of delivery of community-based facilities;
- Delivering economies of scale through shared facilities;
- Making the best use of public resources; and
- Providing continuous improvement in both cost and quality in public procurement.

3.12 Projects developed through the *hubco* will be delivered through one of the following options:

- Design and Build contract (or build only for projects which have already reached design development) under a capital cost option; or
- Design, Build, Finance and Manage under a revenue cost option.

3.13 Working closely with the Participants, the *hubco* will be expected to deliver improvements (including better design, lower construction and maintenance costs and the increased speed of delivery of new facilities) in the way that projects are delivered and the supply chain is managed. These improvements will be monitored by the setting of performance targets, KPIs and the periodic use of market testing.

3.14 The proposed project to co-locate St.Peter's Primary, Aitkenbar Primary and an Early Education & Childcare Centre on the site of the current St.Peter's Primary as part of the schools estate development plan has received cross-Council agreement as being the top priority development, assuming funding is available. Informal consultation with the Bellsmyre community indicated that there is widespread support for this project within the community. The Archdiocese of Glasgow has also expressed support for the project, provided

an appropriate co-location protocol can be agreed between the Catholic Church and West Dunbartonshire Council. However, it should be stressed that the project would be subject to a statutory consultation process under the Schools (Consultation) (Scotland) Act 2010 and the outcome of that consultation cannot be anticipated. The statutory consultation period is at least 6 weeks. However, the experience of other Councils would suggest that this process, which requires HMIE to comment on the educational benefits of the proposals, takes a minimum of three months to complete and longer if the project is subject to call-in by the Cabinet Secretary for Education and Lifelong Learning.

3.15 The Council is currently considering options in relation to the potential funding which could be aligned to support the above education development, including:

- 2011/12 and 2012/13 capital programmes;
- Prudential borrowing;
- Revenue savings; and
- Securitisation funds.

3.16 The estimated cost of the new co-located provision is approximately £11.4m and it is possible that capital enabling funding can be allocated to this project. It is expected that the potential capital enabling funding which could be allocated to such a project would be in the region of £300,000 to £500,000.

3.17 As access to capital enabling funding at this stage will be allocated to “Identified” projects, then there is a potential financial benefit in the Council agreeing that the above education project should be identified to the West Territory hub Board to be included in the current list of “Identified” projects.

4. Financial Implications

4.1 By identifying the co-located education provision identified above as an “Identified” project could allow the Council to access capital enabling funding, thereby assisting to fund the project.

4.2 As stated above the *hubco* is expected to generate significant procurement cost efficiencies and this, as a development route, could result in savings being generated for the Council against the existing £11.4m estimated cost of the project. This cannot be quantified or guaranteed.

5. People Implications

5.1 There are no personnel issues.

6. Risk Analysis

6.1 The option to identify the above education project as an “Identified” project for the West Scotland Territory *hubco* does not commit the Council to developing the project through the *hubco* once funding is available. There are, as

described above, further stages before full commitment is required. So the level of risk associated with identifying this project as an “Identified” project is low at this stage. There may be future risks in being involved as an early implementer of projects via the *hubco*, as the *hub* approach has not yet been widely tested through to delivery of projects such as this and there may be issues around the expectations on build design and quality, value for money of the procurement process and therefore construction costs. If the project was to be developed through the *hub* route then the Council will require to specify and monitor the design and build quality and delivery of the project on budget. The *hubco* will have significant motivation to deliver early development projects with good design, quality and cost as the success or otherwise of the early projects will have a positive or negative impact on potential for future projects for the *hubco*.

- 6.2** There is a risk that the Council could agree to identify the above project as an “Identified” project and then receive no allocation of funding from the Territory Board/Scottish Futures Trust. At this stage it is felt that this is a low level of risk as, at present, there are only a small number of projects which are currently identified as “Identified” projects, and even if this list increases significantly it is expected that all would be likely to receive some funding, though at reduced levels. The risk is also lessened as there are further steps required before the Council would be fully committed to taking the project to development through the *hubco*.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

- 7.1** No significant issues were identified in a screening for potential equality impact of this report.

8. Conclusions and Recommendations

- 8.1** The Council agreed in April 2010 to take part in the development of the West Territory *hubco*. The next stage in this development is the commencement of the procurement process to procure the private sector development partner.
- 8.2** Part of the procurement process is to identify for prospective private sector development partners a project Pipeline, including those projects which are “Identified” projects.
- 8.3** There is a potential for “Identified” projects to receive an allocation of the capital enabling funds available to the West Scotland *hub* Territory.
- 8.4** Subject to a formal consultation in terms of the Schools (Consultation) (Scotland) Act 2010 it may therefore be advantageous for the Council to agree to include the proposed project to develop the co-located St.Peter’s Primary, Aitkenbar Primary and an Early Education & Childcare Centre within the list of “Identified” Projects of the West Scotland *hub* Territory.

8.5 It is recommended that:

8.5.1 Council considers whether the co-located St.Peter's Primary, Aitkenbar Primary and an Early Education & Childcare Centre should be identified to prospective development partners by being included within the list of "Identified" Projects for the West Scotland *hub* Territory; and

8.5.2 Once funding has been identified, that a report be submitted to a future meeting of the Education and Lifelong Learning Committee seeking approval to proceed to statutory consultation on the co-location of St.Peter's Primary, Aitkenbar Primary and an Early Education & Childcare Centre.

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Date: 12 May 2011

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Appendices: None

Background Reports: Council Report 28 April 2010: Scottish Futures Trust – Development of the *hub* initiative; and
Tendering Committee Report 19 January 2011: Scottish Futures Trust – Development of the *hub* initiative – Commencement of OJEU Tendering Process.

Wards Affected: Ward 2 in relation to the specific schools and early years establishments identified in the report; and

All wards in relation to the potential financial benefit which may accrue from the issues identified in the report