

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Council: 28 April 2010

Subject: Scottish Futures Trust – Development of the *hub* initiative

1. Purpose

- 1.1** To provide Council with information regarding the development of the West Territory hub.
- 1.2** To seek Council agreement that the Council takes part in the development of the West Territory hub through:
 - Agreeing that the Chief Executive issues the Scottish Futures Trust with a Letter of Intent from the Council;
 - Agree that a nominated officer be delegated to take part in the procurement process to identify a private sector development partner for the West Territory.
 - Agreeing that the nominated officer signs a Memorandum of Understanding between the Scottish Futures Trust and the Council to take part in the development of the West Territory hub; and

2. Background

- 2.1** The hub initiative is being developed by the Scottish Futures Trust (SFT) on behalf of the Scottish Government. It is a means of improving the planning, procurement and delivery of infrastructure to support community services.
- 2.2** The SFT is overseeing the roll-out of the hub initiative across 5 designated hub territories in Scotland: North, South East, West, East Central and South West.
- 2.3** All NHS Boards and local authorities in Scotland have been asked by the Scottish Government (via the Scottish Futures Trust) to participate in hub, an initiative which is intended to improve the planning, procurement and delivery of infrastructure that supports community services.
- 2.4** The Council would form part of the West Territory along with other Participants:
 - Other Local Authorities: Glasgow City, East Dunbartonshire, Inverclyde, Renfrewshire, and East Renfrewshire;
 - NHS Greater Glasgow and Clyde;
 - Strathclyde Fire, Strathclyde Police, Valuation Joint Boards; and
 - Other public sector bodies to be approached e.g. Further Education Colleges.

2.5 The hub initiative involves a strategic long-term approach to the procurement of community-based infrastructure projects through public/private joint venture arrangements in 5 local hub Territories across Scotland.

2.6 The intended key outcomes for hub are:

- Improving the 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.

2.7 The intended key objectives of hub are:

- Providing enhanced local services through increasing joint service working and integration between Community Planning Partnerships;
- Delivering a sustained programme of investment into community-based facilities so that more services are provided locally in communities through multi-disciplinary teams working from single sites;
- Establishing a more efficient and sustainable procurement methodology for public sector bodies, principally NHS Boards and Local Authorities;
- Delivering facilities that meet public sector policy objectives for design quality and sustainability; and
- Facilitating and improving the level of stakeholder engagement in the planning of services and development of community-based premises.

The attached Appendix provides an overview of the hub initiative and a description of the benefits which are expected to be achieved for Participants should they decide to use the hub as a route for the delivery of future infrastructure projects.

3. Main Issues

3.1 An initial meeting of the potential Local Authority and NHS West Territory participants and the Scottish Futures Trust was held on 19 January 2010.

3.2 The hub outcomes and objectives are to be achieved through the establishment of joint venture arrangements amongst the local public sectors within the hub Territory together with a private sector development partner – to form a joint venture “**hubco**”.

3.3 To create this body the Participants within each hub territory will collectively run a procurement process to identify a preferred private sector development partner with whom they will form a private public sector joint venture, referred to as **hubco**. The **hubco** will deliver certain partnering services to the Participants to support the planning, procurement and delivery of infrastructure projects within the hub territory – developing proposals and, subject to satisfying certain tests including value for money, delivering those projects through its supply chain.

- 3.4** It is considered important that the hub partnership runs for a significant period of time in order to:
- 1) Realise the benefits of the hub programme including procurement cost savings, cost efficiencies through supply chain management and continuous improvement and economies of scale through joint public service delivery;
 - 2) Provide a pipeline of projects of delivery and investment by the **hubco**; and
 - 3) Deliver performance improvement and added value as the public and private sector partners learn from each other and the **hubco** develops a thorough understanding of the public sector requirements and existing estate of assets.
- 3.5** It is expected that the joint venture partnership (the **hubco**) will therefore last for 20 years, with an option to extend for a further 5 years where agreed between **hubco** and one or more of the Participants.
- 3.6** The Participants in each hub Territory will have the opportunity to put forward individual projects which will be used to form a 'project pipeline' which **hubco** will deliver through one of the following options:
- 1) Design and Build contract (or build only for projects which have already reached design development) under a capital cost option; or
 - 2) Design, Build, Finance and Manage under a revenue cost option.
- 3.7** 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.
- 3.8** The long term partnership between the Participants and **hubco** offers a flexible procurement route for the delivery of community infrastructure, achieving value for money by reducing both the expense and time associated with one-off procurements, particularly for small facilities. The appointed private sector development partner will have the expertise to provide various construction procurement mechanisms, tailored to meet the Participants' needs over the agreed lifecycle of individual projects.
- 3.9** The SFT has set-aside resources to assist in the development of the Territories and the **hubco** and in order to release this funding the SFT requires to have initial commitment to participating in the **hubco** development process. This is achieved through the following steps.

3.9.1 In order to participate and have a role and interest in the process of procuring the private sector development partner the Council is required to sign-off a Letter of Intent. This Letter of Intent also allows the SFT to release initial development funding to assist in the procurement process of the development partner.

3.9.2 A Territory Board will be established to oversee the development of hub, i.e. the procurement of the private sector development partner and the development of a pipeline of projects. Each public sector participant is expected to appoint one member and one substitute member to serve on the Territory Board, each with sufficient knowledge and authority to contribute effectively. This role is expected to be fulfilled by a Senior Responsible Officer (SRO).

It is important that the Council representative on the Territory Board (the SRO) carries delegated authority allowing participation to allow Territory Board meetings to take key decisions relating to the procurement of a private sector partner (decisions to issue the OJEU and PQQ, approve the short-list and issue the tender documents, approve the close of dialogue and approve the preferred bidder).

3.9.3 Signing a Memorandum of Understanding. This document would be signed on behalf of the Council by the nominated SRO. This document whilst not legally binding the Council to use the **hubco** for future procurements does set out the public sector Participants' commitment to each other to work together towards the procurement of a private sector development partner for the Territory, and taken together with the delegated authority proposed to be granted to the SRO, constitute an undertaking to participate in the appointment of private sector partner for a significant period. Thus it is a significant step, and equivalent in terms of commitment to a decision by the Council itself to commence procurement of a long term development partner.

3.10 As noted above, agreeing to the following four actions, does not commit the Council in any way to using the **hubco** as a future means of development, delivery and procurement of capital projects or to any financial commitment, although it is likely that future external capital funding for projects will be on the assumption that **hubco** is used as primary vehicle, where at all practicable and in particular this will be a requirement to have access to the national capital enabling fund referred to in 4.3 below. However agreeing to these actions to take part at this stage will ensure that the Council is involved in the process and can influence the process as appropriate:

- Agreeing to issue a Letter of Intent;
- Nominating an SRO to represent the Council on the Territory Board;
- Agreeing that the SRO can sign a Memorandum of Understanding on behalf of the Council; and
- Agreeing that the SRO subsequently takes part in the procurement of the development partner.

4. Financial Implications

- 4.1** There are no financial implications for the Council in relation to taking part in the development of the West Territory *hubco*.

However, the SFT has confirmed that financial support will be provided to assist with the hub set-up and procurement costs for the West Territory. Funding of £1.4m is available as follows:

- Set-up/procurement support - £500,000 per territory;
- Public sector recurrent/scheme development - £100,000 per annum per territory for 5 years;
- Programme management - £300,000 per territory over 3 years; and
- Organisational development activity - £100,000 per Territory.

- 4.2** The hub National Programme Board will oversee the release of these funds based on the following criteria:

- An undertaking from organisations confirming their participation; and
- The completion of a Territory Programme Initiation Document.

The receipt of letters of intent from all organisations in the Territory will provide the trigger for the release of the first £125,000 of this funding.

- 4.3** The Scottish Futures Trust has also confirmed that a national capital enabling fund of £30m is available to support projects across all 5 hub Territories. Individual hub Territories can apply to use this fund for project development/enabling purposes such as land acquisition, land mobilisation demolitions and site investigation surveys. Application for these funds will be via a formal process through the hub Programme Delivery Office within the SFT and approved by the hub National Programme Board. Access to this funding will only be available to public bodies who decide to procure and deliver projects through the *hubco*.

5. Personnel Issues

- 5.1** The only personnel issues in relation to the report would be for those officers identified as being the Council representative on the Territory Board and substitute, however it is expected that this will be undertaken within the Council's existing staffing complement.

6. Risk Analysis

- 6.1** The option for the Council to take part in the development of the local *hubco* does not commit the Council to any capital projects at this stage, however it does commence a significant procurement process for the appointment of a long term development partner for West Dunbartonshire and other West of Scotland public sector bodies and accordingly must be seen as a significant and onerous undertaking.

6.2 It is essential that the SRO appointed is kept fully advised of technical, financial and legal matters relating to the procurement and thereafter the ongoing operation of the **hub**. This may involve specialist external advice.

6.3 It is also essential that key developments are reported back to the Council for information and that the SRO will primarily have regard to the interests of the Council in the exercise of their delegated powers.

7. Equalities Impact

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 is being invited to take part in the development of the local **hubco** for the West Territory of the SFT's hub initiative.

8.2 In agreeing to take part in this process the Council is not committing itself to the use of the SFT via the **hubco** for the development, procurement or delivery of future capital or revenue funded projects.

8.3 By agreeing to take part in the development of the local **hubco** the Council will be able, through the nomination of a responsible officer to sit on the Territory Board, participate in the procurement process.

8.4 The only resource implications of agreeing to assist in this process will be in relation to officer time, which can be identified from within existing staffing complement.

8.5 It is recommended that the Council agrees to take part in the development of the West Territory and the procurement of a private sector development partner and:

- (i) Agrees that the Chief Executive issues a Letter of Intent to the SFT indicating the Council's commitment to take part in the development of the West Territory and the procurement of a private sector development partner;
- (ii) Agrees to the Chief Executive identifying an appropriate responsible officer and a substitute to represent the Council on the West Territory Board as the Senior Responsible Officer (SRO) for the Council.
- (iii) Agrees that the SRO or substitute identified by the Chief Executive is given the appropriate delegated authority to take decisions on behalf of the Council, including signing the Memorandum of Understanding;
- (iv) Notes that further progress on the development of the hub initiative in the West Territory will be reported to Council.

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Chief Executive
Date: 15 April 2010

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Appendix: Hub Initiative: Overview and Benefits of Participation

Background Reports: None

Wards Affected: All