

PERTH AND KINROSS COUNCIL

Strategic Policy & Resources Committee Executive Sub-Committee - 11 July 2012

INFRASTRUCTURE PROCUREMENT THROUGH HUBCO

Report by the Executive Director (Environment)

The Council is embarking on an ambitious Capital Programme to build and upgrade infrastructure in relation to schools, housing and community facilities. In order to achieve this programme, it is necessary to examine all available delivery models. Following the decision by Committee last year to enter the East Central 'hubco' Territory Partnership, agreement is sought to use this mechanism to ensure the capital programme timescales can be achieved through a flexible and cost effective resourcing model for contract procurement.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:-

- i) Approves the use of 'hubco' as one of the development delivery models for future infrastructure projects.
- ii) Authorises the Executive Director (Environment) to implement the most appropriate delivery mechanism, in accordance with the Council's Financial Regulations, for delivery of the Capital Programme.
- iii) Requests the Executive Director (Environment) to provide further update reports back to Committee, as necessary.

2. BACKGROUND

- 2.1 At the meeting of the Strategic Policy & Resources Committee of 30 November 2011 (11/606 refers), Committee agreed to enter into the East of Scotland Territory Partnering Agreement for the delivery of Infrastructure services through the private/public sector partnering known as 'hubco'. The Committee also agreed to the appointment of Amber Blue LA Consortium, comprising Robertson Capital Projects and Amber Infrastructure, as its private sector development partner.
- 2.2 'hub' is a national initiative driven by Scottish Futures Trust on behalf of the Scottish Government. It endeavours to deliver value for money, streamlined procurement and project delivery time savings as well as actively encourage interagency working and the development of shared facilities.
- 2.3 Scottish Futures Trust (SFT) is a body which was set up by Scottish Government to assist public bodies in the areas of strategic asset management, funding and procurement. It has given advice to the Council in areas such as education, waste management and transport infrastructure. The Scottish Government has set aside specific monies for SFT to fund school building replacement.

- 2.4 Perth & Kinross Council is a participant member of the East Central 'hub' Territory together with 6 other Local Authorities, 3 NHS boards, 6 Police, Fire and Rescue boards and the Scottish Ambulance Service. 'hubco' is the partnership comprising the 'hub' members, Scottish Futures Trust and a private sector developer (selected following tendering). 'hubco' is a developer not a contractor. 'hubco' is designed to procure and deliver projects on behalf of its members and, where appropriate, 'hubco' can also manage and maintain the facilities on completion.
- 2.5 The use of 'hub' as a delivery vehicle for major capital and revenue funded capital projects is mandatory for the participating NHS partners. However, the use of 'hubco' as a delivery vehicle for major Local Authority and the Emergency Service projects is optional. Such an arrangement allows member Local Authorities to utilise 'hubco', as required.
- 2.6 While the 'hubco' is new in the East of Scotland Territory area, the model has already been used successfully in the other territory areas. It has introduced a flexible and cost effective resourcing model for contract procurement, with many of the set up and contract procurement costs having already been accounted for during the 'hubco' tendering process itself. The 'hubco' contracts contain a commitment to sustainability through community benefit clauses, which include setting performance targets for local supplier involvement and the employment of apprentices.
- 2.7 With the 'hubco' family established in our territory, a programme of works is now being developed for delivery across the partnership area. This includes a number of school build projects for local authorities.

3. COUNCIL'S CAPITAL PROGRAMME

- 3.1 In setting the Council's budget at its meeting of 9 February 2012, the Council agreed to an ambitious Capital Programme of infrastructure spend totalling £244m over the next 5 years.
- 3.2 This programme includes school projects (builds, improvements & enhancements), Council housing infrastructure (builds & improvements), as well as roads and infrastructure provision.
- 3.3 In order to ensure that this ambitious programme can be delivered on time, the Council needs to enhance its existing contract delivery mechanisms. The 'hubco' model is a route which brings capacity and flexibility into the provision of infrastructure projects with minimum delay in the procurement process.
- 3.4 The use of the 'hubco', which has already been through a £500k procurement process, also gives assurance to funding partners, such as Scottish Futures Trust, that due diligence has taken place in the procurement process and that robust contract governance models are in place.

4. PROPOSALS

- 4.1 Taking account of all the above factors, and in order to ensure capital programme delivery in line with the Council's expectations, it is therefore recommended that the Committee agree to the use of 'hubco', as an infrastructure delivery partner, for those projects in the Capital Programme deemed to be suitable.
- 4.2 This will provide permission to approach 'hubco' with appropriate projects and let the contracts for these, as required.
- 4.3 It should be noted that 'hubco' would only be one option to be considered in the award of any contract and agreement of this report would not prevent other forms of delivery model being used, where they are considered to be more appropriate.
- 4.4 Further update reports will be provided, as necessary.

5. FINANCIAL IMPLICATIONS

- 5.1 'hubco' is currently funded through a £1.4m SFT enabling fund. This gives the Council access to a significant procurement and technical resource.
- 5.2 The use of 'hubco' results in a potential saving of up to £500k in procurement costs for the hub Territory Partners.

6. CONSULTATION

- 6.1 The Head of Legal Services, the Head of Democratic Services, the Head of Finance and the Executive Directors of Education & Children's Services and Housing & Community Care have been consulted in the preparation of this report.

7. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 7.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. This report impacts on the following:-

- A Prosperous, Sustainable and Inclusive Economy

8. EQUALITIES IMPACT ASSESSMENT (EqIA)

- 8.1 An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 8.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- i) Assessed as **not relevant** for the purposes of EqIA.

9. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 9.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 9.2 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are being requested to approve an action for future potential decisions only.
- 9.3 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

10. CONCLUSION

- 10.1 The Council is embarking on an ambitious Capital Programme to build and upgrade infrastructure in relation to schools, housing and community facilities. In order to achieve this programme, it is necessary to examine all available delivery models.
- 10.2 Following the decision by Committee last year to enter the East Central 'hubco' Territory Partnership, agreement is sought to use this mechanism to ensure the Capital Programme timescales can be achieved through a flexible and cost effective resourcing model for contract procurement.

**JIM VALENTINE
EXECUTIVE DIRECTOR (ENVIRONMENT)**

NOTE

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above Report

- Hub East Central Territory (Hubco) – Appointment of a Development Partner report to the Strategic Policy & Resources Committee on 30 November 2011 (11/606)

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