

REPORT TO: EDUCATION COMMITTEE - 28 NOVEMBER 2011
POLICY AND RESOURCES COMMITTEE - 28 NOVEMBER 2011

REPORT ON: EAST CENTRAL TERRITORY HUB

REPORT BY: CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

REPORT NO: 488-2011

1 PURPOSE OF REPORT

1.1 This report seeks approval for the appointment of a Private Sector Development Partner and the establishment of Hubco.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee approves;

- (i) the selection of Amber Blue (a consortium of Robertson Group [Holdings] Ltd, International Public Partnerships Ltd and Forth Holdings Ltd) as the Private Sector Development Partner in Hubco as recommended by the Hub East Central Territory Programme Board;
- (ii) the establishment of Hubco, the investment in the Hubco shareholding of £100 and the provision of participants' working capital of circa £300k, all costs to be met from enabling funds made available by Scottish Futures Trust;
- (iii) the entering into of the Territory Partnering Agreement, Shareholders' Agreement and Participants' Agreement with delegated authority to Iain Lilburn, Capital Projects Finance Manager, to execute the same on behalf of the Council following the resolution of final clarifications and subject to the final agreement of the Depute Chief Executive (Support Services);
- (iv) the appointment of Tom Steele, Director of Strategic Projects and Property, NHS Forth Valley as the B Shareholders' Director on the Board of Hubco;
- (v) the appointment of Catherine McFie, East Central Territory Programme Director, as the B Shareholders' Representative and Participants' Representative under and in terms of the Participants' Agreement with delegated authority to take any action, grant any approval or consent or sign any notice required in terms of the Shareholders' Agreement and Territory Partnering Agreement;
- (vi) the appointment of Iain Lilburn as the Council's officer representative on the Hub East Central Territory Partnering Board and Neil Martin as substitute representative, both with delegated authority to make any decisions on its behalf which require to be taken by the Territory Partnering Board pursuant to its constitution; and
- (vii) the inclusion of Harris Academy as an identified project in the East Central Territory Delivery Plan.

3 **FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications resulting from this report other than travelling expenses etc. in attending meetings.
- 3.2 Management of the procurement process has been met from within the resources allocated to the Hub East Central Territory Programme Board. Additional financial implications will be brought forward to the Hub East Central Territory Participants following formation of the Hubco and any stage 1 business cases for schemes.
- 3.3 The equity required by the seventeen Public Sector Participants who will become shareholders to set up the Hubco is £100 and working capital is circa £300K. These funds have been made available through Hub enabling funds.
- 3.4 The Hub East Central Territory Programme Board have a revenue budget of £1.4m which is forecast to last until 2015 and will be closely monitored by the Territory Partnering Board with appropriate reporting to Participants. The Territory Partnering Board will be required to make recommendations to Participants on the level of budget and associated staffing required after 2015. Dundee City Council is currently under no obligation to meet any future costs that may arise.
- 3.5 Any project development costs relating to the replacement of Harris Academy will be reported separately.

4 **MAIN TEXT**

Background

- 4.1 Reference is made to Article II of the minute of the meeting of the Policy and Resources Committee of 26 April 2010 when the Committee considered Report No 207-2010 and agreed inter alia to participate in developing the East Central Territory Hub.
- 4.2 Reference is also made to Article VII of the minute of the meeting of the Policy and Resources Committee of 12 September 2011 when the Committee considered Report No 346-2011 describing the Hub Procurement Programme and agreed to consider the appointment of the Private Sector Development Partner, the establishment of Hubco and the entering into of the Shareholders' Agreement, the Participants' Agreement and the Territory Partnering Agreement at this Committee.
- 4.3 The Committee also instructed the Chief Executive to communicate to the East Central Territory Programme Board the City Council's expectation that in selecting the Preferred Bidder adequate weighting would be given to the proposed methodology for demonstrating value for money on individual Hub projects, to the potential for Hubco making use of in-house design teams, to individual authorities having a choice of local contractors for carrying out construction and maintenance works and to the wider community benefits that will be delivered through the Hub procurement programme in areas such as

- employment, training and business development. This was subsequently conveyed to the Chair of the Hub Board.
- 4.4 The Chair of the Hub Board in his response confirmed that these issues had been prominent in discussions at the Programme Board and that they had formed a core element of discussion with the bidders with all Participant's views and challenges being explored throughout the Competitive Dialogue. Furthermore each of the shortlisted bidders had included proposals to address each of the concerns in their final bid submissions.
- 4.5 The Hub structure will encompass both private project finance and traditionally publicly funded developments. The equity and working capital of Hubco will be split among the Private Sector Development Partner, the seventeen Participants and the Scottish Futures Trust (60%, 30% and 10% respectively). A Shareholders' Agreement among the Private Sector Development Partner, the seventeen Participants and the Scottish Futures Trust will regulate the respective rights and responsibilities of each party and set out the matters in relation to which Hubco must first obtain the consent of each category of shareholder. A Territory Partnering Agreement among the seventeen Participants and Hubco will set out the rights and obligations of the parties, including the provision of partnering services by Hubco to the Participants. A Participants' Agreement will record the arrangements which are to apply among the Participants in relation to joint decision-making in the context of the Territory Partnering Agreement and the Shareholders' Agreement and other matters associated with their involvement in the East Central Territory Hub.
- 4.6 The East Central Territory Delivery Plan sets out the strategic direction for the Hub Territory and is a live document which is reviewed on a regular basis. The plan lists those projects that have been identified by Participants for delivery through Hub.
- 4.7 Although it is not currently obligatory for local authorities to participate in Hub, the Scottish Futures Trust have advised that the preference is that school projects financially supported by the Scottish Government under Scotland's Schools for the Future programme, e.g. Harris Academy, should be procured through Hub unless the local authority can demonstrate that better value could be achieved by using an alternative procurement route. The only Dundee City Council project currently included in the East Central Territory's list of identified projects is Harris Academy.
- 4.8 ***Selection of Private Sector Development Partner***
- An Evaluation Team was formed from the Territory Programme Team along with three participant member representatives from NHS Forth Valley, Fife Council and Clackmannanshire Council and a representative from Scottish Futures Trust and the team were granted delegated authority from the Programme Board to undertake the detailed assessment and scoring of submitted Final Tenders from the shortlisted bidders Amber Blue (Robertson Group [Holdings] Ltd, International Public Partnerships Ltd, Forth Holdings Ltd), Alba (Cyril Sweett Group Plc, Miller Corporate Holding Ltd) and Inspiredspaces (Carillion Plc). The Territory

Programme Director chaired the evaluation team which was supported by Scottish Futures Trust and Legal, Technical and Financial advisors.

4.9 **Evaluation Criteria**

The evaluation criteria matrix has been evolved from commencement of the dialogue phase and revised to improve clarity and understanding for both tenderers and the evaluation team. The initial criteria were approved by the East Central Territory Programme Board before the Invitation to Participate in Dialogue (ITPD) was issued in February 2011.

The evaluation criteria are split into price which accounts for 45% of the total mark and non-price at 55%.

4.10 **Price Evaluation (45%)**

The Price Evaluation comprised a qualitative component and a quantitative component. These were weighted 25% and 20% respectively.

- The Qualitative Price Evaluation Criteria and Weightings focussed on the Tenderer's approach to delivering value for money, costing of New Projects and the financial management of Hubco
- Quantitative Price Evaluation focussed on construction costs, DBFM costs, and 5-year Hubco costs

4.11 **Non-Price Evaluation (55%)**

The non-price evaluation comprised

- Approach to establishing and operating Hubco (10%)
- Approach to Partnering (35%)
- Key Performance Indicators and Continuous Improvement (10%)

4.12 **The final evaluation scores are summarised in the table below:**

Bidder	Non-Price (55%) Establishing and operating Hubco (10%)	Non-Price (55%) Approach to Partnering (35%)	Non-Price (55%) Key Performance Indicators & Continuous Improvement (10%)	Price Evaluation (45%) Qualitative (25%)	Price Evaluation (45%) Quantitative (20%)	Total Score	Rank
Alba	7.00	21.70	6.40	14.80	17.50	67.40	2
Amber Blue	7.00	23.80	7.40	13.60	17.00	68.80	1
Inspired spaces	7.60	23.80	7.30	13.10	0	51.80	3

Note: The Inspiredspaces bid scored 0 in the quantitative price evaluation due to their price being the highest by a significant amount.

This shows that **Amber Blue** has achieved the highest score and is proposed to be appointed as Private Sector Development Partner.

- 4.13 At its meeting on 12 October 2011 the Hub East Central Territory Programme Board proposed the selection of **Amber Blue** as the preferred bidder to become the Private Sector Development Partner. The proposal was approved by the Hub National Programme Board on 13 October 2011.

Corporate Governance

- 4.14 Following the execution of the Territory Partnering Agreement, Shareholders' Agreement and Participants' Agreement (planned for 8 December 2011), the East Central Territory Programme Board will be disbanded and the East Central Territory Partnering Board established to provide long term strategic management of the project on behalf of the Participants. The Territory Partnering Board will also include a member appointed by the Board of Hubco.
- 4.15 With regard to representation arrangements, the Hub East Central Territory Programme Board agreed at its meeting on 12 October 2011 that Tom Steele, Director of Strategic Projects and Property, NHS Forth Valley (who is currently the Chair of the Territory Programme Board) be proposed as the B Shareholders' Director on the Board of Hubco and that Catherine McFie, East Central Territory Programme Director, be proposed as the B Shareholders' Representative and Participants' Representative.
- 4.16 Copies of papers provided by the Scottish Futures Trust relating to the Procurement and Evaluation Process, Corporate Governance, the Territory Partnering Agreement, the Shareholders' Agreement, Pricing and Value for Money, the Individual Project Approval Process, the Territory Delivery Plan and the Programme Plan have been passed to the Group Leaders, the Lord Provost and the Depute Lord Provost.

Conclusion

- 4.17 The procurement process to select the Private Sector Development Partner to join with the Hub East Central Territory Participants and Scottish Futures Trust to establish Hubco has identified the Amber Blue consortium as the preferred partner. This report seeks the approval of the Committee to the selection of Amber Blue and to entering into the various agreements required to establish the formal relationships between the parties.
- 4.18 Once established the effectiveness of Hubco can be monitored by the Council and its suitability for procurement of future infrastructure projects considered.

5 **POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. There are no major issues. An Equality Impact Assessment has been carried out and will be made available on the Council website: <http://www.dundee.gov.uk/equanddiv/equimpact/>

6 **CONSULTATIONS**

- 6.1 The Depute Chief Executive (Support Services) has been consulted on this report.

7 **BACKGROUND PAPERS**

- 7.1 Report No 207 - 2010 considered by Policy and Resources Committee on 26 April 2010

Report No 346 - 2011 considered by Policy and Resources Committee on 12 September 2011

Equality Impact Assessment

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Chief Executive

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17 November 2011