

The hub initiative: Frequently Asked Questions and Answers

1. *What projects can be delivered through hub?*

The hub model has been structured to give the potential to deliver a wide range of facilities to improve the provision of community services. Projects could include community health centres, dental surgeries, doctor surgeries, debt and citizens' advice facilities, employment advice and a range of other community services, primary and secondary schools and police and fire service facilities.

2. *Do all projects have to envisage the delivery of joint services?*

No. Individual Participants will be able to use hub to deliver their own facilities as well as facilities that they want to share with other Participants or third parties. Nevertheless, a central theme of the hub initiative is that opportunities to share facilities with other Participants should be maximised where at all possible as this is likely to introduce cost efficiencies for all parties involved.

3. *How much will it cost to be part of hub?*

There will be costs incurred in the procurement of a private sector development partner and setting up hubco, as well as costs normally associated with the development of projects. Some central funding is available to support these costs.

The Participants that wish to take a share of the 30% public sector participant shareholding in hubco will be required to contribute to the share capital of hubco and potentially a share of hubco's working capital (although this should be considered as an investment and not a cost). The actual value of these costs will depend on the individual bids received during the procurement process and the territory will have the opportunity at that stage to consider the cost implications in detail prior to appointing its private sector delivery partner.

4. *What are the cost benefits of delivering projects through hub?*

hub has the potential to increase the speed and reduce the cost of community infrastructure procurements. Subject to meeting certain requirements (including demonstrating value for money) hubco will have the right to develop detailed solutions and deliver individual projects on the basis of a standard set of contract documents. This streamlined procurement process will lead to efficiencies and improvements that do not arise on one-off procurements. hubco will be required to demonstrate value for money throughout the development of new projects and in the delivery of the project pipeline and to demonstrate continuous improvement over a series of projects.

Efficiencies will also arise through the use of joint/integrated facilities with complementary services being provided by different Participants from one location.

5. *Who will work for hubco?*

hubco will be responsible for providing certain partnering services and delivering projects identified in a delivery plan (developed for each territory) and employing the staff required to do so. During the procurement, tenderers will be required to submit their proposals for the staffing of hubco, recognising that there may need to be a degree of flexibility depending on the number and timing of projects. These will require an interface with staff from Participant organisations whose remit may be full or part-time dependant on project activity.

6. *Can hub be used to deliver projects partially developed outside of hub?*

Yes. Projects that have been partially developed through, for example, HFS Framework Scotland can be delivered through hub. There will be a process established to novate designs at key stages in the development such as OBC or FBC level approval.

7. *Can my organisation be part of hub without having projects to deliver?*

Yes. An organisation can be a shareholder in hubco and party to the partnering agreement with hubco without necessarily having any projects initially identified in the project pipeline. By signing up to the partnering agreement, an organisation gives itself flexibility to deliver projects through hub in the future. It should be noted that NHS Boards are required to be a signatory to the partnering agreement and to provide a level of exclusivity to hubco for primary health care projects (see FAQ 9 below).

8. *How is the development of projects paid for?*

hub Projects will be developed on a 2 stage basis. Stage 1 develops the design to a level similar to OBC and is undertaken at risk by hubco. Should the project be rejected for any other reason than it does not provide value for money or is not within the affordability cap, the relevant Participant will be liable to pay these Stage 1 development costs. Stage 2 sees the development of the design to a level similar to FBC and the costs of this are paid (subject to a cap) using an agreed payment process.

Costs incurred during project development are prepared using a schedule of rates submitted by the successful tenderer, hence achieving a competitive price. Rates are reviewed annually by reference to RPI, to other relevant local and national trends and to the rates and prices actually paid by hubco for similar services.

9. *What are the “exclusivity” arrangements under hub?*

For the first 10 years of the partnership with hubco, hubco will have an exclusive right to develop proposals for (and, subject to meeting certain criteria, deliver through its supply chain) certain projects:

- NHS projects: all front-runner projects specifically named at the point the partnering agreement is signed; all primary/community health facilities with a capital value exceeding £750,000; and any other projects specifically allocated to hubco;
- Local Authority, Police and Fire Authority projects: all front-runner projects specifically named at the point the partnering agreement is signed; any other projects specifically allocated to hubco;
- Joint NHS/Authority projects: all projects with a capital value exceeding £750,000 involving primary/community health facilities where the NHS is lead procurer; any other projects specifically allocated to hubco.

10. *Who will own the buildings procured through hub?*

In most cases it is anticipated that the land will be provided by the Participant(s) and licensed to hubco (or the Project Service Provider on a particular project) for the purposes of performing its obligations and this is the basis on which the standard contracts have been drafted. In these cases, the land will be owned throughout the life of the project by the Participant(s) and remain with the Participant(s) at the end of the project. In cases where it is deemed appropriate (e.g. where there is a meaningful residual value risk to transfer) the land may be owned by hubco (or the Project Service Provider) and the facilities leased to the

occupying Participant(s), in which cases the facilities will be owned by hubco (or the Project Service Provider) when that lease comes to an end.

11. Who takes the risk of cost increases on D&B projects?

It is envisaged that hubco will be required to provide fixed contract sums for individual projects (subject to provisions for client breaches/compensation events etc.) and that payments will be made against defined milestones.

12. How does hub fit in with existing community planning arrangements?

The intention is that hub will complement (rather than add to/replace) existing joint working arrangements. It is an avenue through which proposals for joint facilities (identified through existing community planning arrangements) can be developed and delivered. Hub also offers the opportunity for private sector skills/experience to be brought into joint community planning arrangements.

13. Will hubco determine how, when and what projects are required?

No. Hub is not;

- a replacement for the intelligent client function
- a commissioner of new projects or
- an approver of final project proposals.

It will remain the Participants' right and responsibility to identify the requirements for community infrastructure investment within their territory (albeit with the opportunity for hubco to assist with asset management and planning processes). The Participants involved in a specific project being developed/delivered by hubco will retain the client role that they currently have on individual one-off procurements. A Participant can therefore have two separate identities within hub – one as the procuring body (i.e. client) on a specific project and one as a minority shareholder in the company (i.e. hubco) delivering that project.

14. What is a "sub hubco"?

It is anticipated that some projects (including any that are wholly/partially debt funded) will be delivered through a special purpose vehicle (sub hubco) established for a single project. The reason for setting up a separate sub hubco is to limit recourse to hubco on any default of sub hubco and insulate hubco from any issues of cross default – i.e. default on one project will not bring down other projects. Any sub hubco will be a wholly owned subsidiary of hubco.

15. Why does the private sector have 3 directors on the board of hubco?

The proposal is for hubco to have 3 private sector appointed directors and 2 public sector appointed directors (one SFT appointee and one local public sector appointee) to reflect the fact that the private sector development partner is the majority (60%) shareholder in hubco. It is expected that the interests of the two public sector shareholders will generally be aligned. It is the intention that the private sector shareholders have control over day to day decisions as it is their skills that are being sought as part of the procurement. There are, however, substantial minority protections built into the documentation to prevent changes to the business plan, remuneration, share structure etc without public sector consent.

16. Will the Participants be able to procure the delivery of new projects from hubco without going through a further competitive tendering process in accordance with EU Procurement Law?

Yes. The initial procurement exercise covers the selection of a private sector development partner to form a hubco that will provide partnering services (including the delivery of new

projects) to the Participants. Provided a new project is of a type that falls within the scope of the partnering agreement (as described in the initial OJEU notice and procurement documentation) it will be permissible for the Participants to procure that new project from hubco without going through a new procurement exercise.

17 *What ability will an authority have to participate in a hub project if it is named on the OJEU but does not sign the Territory Partnering Agreement?*

If an authority is named on the OJEU but does not sign the Territory Partnering Agreement it will not be able to procure, either jointly with another authority or on its own, any projects from hubco. It will, however, still be entitled to rent or lease space in a facility procured from hubco by another Participant.

However, it will leave open the opportunity for that authority to become a signatory to the Territory Partnering Agreement (with the consent of the other signatories to the agreement) at a later stage. If it does so become a party to the Territory Partnering Agreement, it will have the same rights to procure projects from hubco as the original signing authorities.

18 *What ability will an authority have to participate in a hub project if it signs the Territory Partnering Agreement but does not become a shareholder in hubco?*

If an authority is not a shareholder in hubco but has signed the Territory Partnering Agreement, it will still be entitled to use hubco to procure projects on its behalf. It will not, however, have any obligation or entitlement to buy shares in hubco nor provide subordinated debt to hubco and as such will not get the share of any returns generated by hubco. It will also not have any rights as a shareholder in relation to the operation and management of the hubco.