1. BACKGROUND

In 2010, Hub South East Scotland Ltd was the first of five Hub companies to be set up in Scotland through the Scottish Futures Trust as a way of:

- Providing a more efficient, quicker, sustainable procurement methodology for public sector bodies resulting in value for money
- Increasing the scale of joint working and integration between public sector organisations, as well as the opportunities for strategic asset management
- Maximising stakeholder and community engagement
- Ensuring community benefits for local people and businesses

The 2013 Review of Scottish Public Sector Procurement in Construction, commissioned by the Scottish Government, made a number of recommendations around best practice, and notably, a number of these are already embedded in, or being championed by SFT through the Hub Initiative.

**SFT has been central to the establishment of a practical and deliverable Territory Delivery Plan for the South East Territory,** which contains an agreed vision between all public sector bodies, Hubco and SFT to ‘work together to provide enhanced local services and achieve tangible benefits for partners and communities in the Lothian and Borders.’

Our objectives as a Hub company, directly relate to achieving SFT’s mission - ‘to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and improved public services’. As such, regarding the Scottish Parliament’s Finance Committee request for views on the success of SFT in achieving its aims, we are offering demonstrable evidence of what Hub South East has delivered since its inception.

By highlighting Hub South East’s key achievements in the following areas, it is clear how SFT (through its role in leading the Hub programme across the country and providing direction, support and guidance) is in turn achieving its aims successfully.
The following is by no means an exhaustive list of key achievements – it is a small flavour of the tangible outcomes recently endorsed by all Participant bodies (Councils, NHS Boards and Emergency Services) in the South East Territory in our 2014/15 Annual Report.

Note that whilst examples below may have been grouped into one category for reporting purposes (aligned to the headings provided in the Call for Evidence), the areas affected by such projects and initiatives cover a range of benefits e.g. the Leith Partnership Centre is mentioned under Improving Public Services, but could sit just as comfortably in Collaboration or innovation as it also delivers on both these outcomes.

2. SECURING ADDITIONAL INVESTMENT

2.1 Securing initial investment

Playing a strong part in overseeing the governance of the Hub programme, which includes contributing to Key Stage Reviews and insisting on strong business cases, SFT is key in strengthening the due diligence applied before projects are allowed to proceed.

Through the use of Strategic Support, it is worth noting the contribution made in helping Participants get projects off the ground initially. One such example is on the East Lothian Community Hospital project. Hubco was first engaged in this project to develop a Clinical Brief and Initial Agreement in support of a new Community Hospital in East Lothian. This appointment came after previous unsuccessful attempts to gain approval for the project, due to a lack of justification for the need for such a facility. Hubco was instrumental in creating a capacity model and new model of care which underpinned the case for investment through the Initial Agreement. This work is now complete and the Initial Agreement was ultimately accepted by the Scottish Government. On approval, this was commented on by the Scottish government Health Directorate as being an exemplar model for future investment cases nationally.

2.2 Enabling Funds

Through the Hub Territory Partnering Board, applications can be made to SFT for enabling funds - potentially unlocking funds to further investigate various options and viability for community infrastructure projects. By providing this, SFT is allowing early work and scoping on projects which otherwise may not be funded. Various Participants’ projects have benefited from this in the South East area, and in
particular, this will be crucial in testing the viability of potential models such as the Leith Partnership Centre (see 3.21).

3. SECURING BETTER VALUE FOR MONEY AND IMPROVED PUBLIC SERVICES

3.1 Providing Value for Money in the South East Territory:

The process put in place by SFT when setting up the Hub initiative has led to tangible outcomes for public sector bodies in the South East Territory. Just some examples include:

- Centralised Senior Debt Funding Structure – through the appointment of a Senior Debt Funder from the aggregator process, a standardised approach to Senior Debt Funder engagement has been developed, avoiding the requirement to run separate funding competitions on a project by project basis. The outcomes of this are:
  - Batch delivery of DBFMs resulting in competitive funding terms
  - No funding competition required (potential programme betterment)
  - Centralised procurement of funder advisors: Legal / Technical / Insurance / Finance (financial saving through batching)

- 100% of Qualifying Projects delivered by Hub South East, have been successfully handed over to Participants within the agreed contract price – providing cost certainty to public sector bodies.

- Through SFT’s development of Reference Design in health and education, a cost and area metric is available which will support the ability to measure performance, improve consistency and is based on best practice guidance. This is a useful tool in terms of benchmarking and ensuring value for money for public sector bodies.

- Asset Mapping - An initiative lead by SFT and the Territory Partnering Board to map facilities and assets controlled by the Public Sector, is yielding essential data on maintenance and operating costs, utilisation, residual life, rates etc. This has achieved improved ways of testing whole life costing on projects and supporting the business case process. It also creates further opportunities for participant collaboration.

- In agreeing a contract price, Hub South East works with Participants to ensure costs are driven down whilst quality and programme certainty is maintained. One such example of this was on the Windygoul Primary School extension project. The Affordability Cap identified in agreement with the Participant at New Project Request Stage for was just over £3.9m. However, as a result of
collaborative working between Hubco, the Participant, the Tier 1 Contractor and Design Team, the final cost agreed was actually reduced. This saving of £167,000 (4.3% of the total cost) was achieved through a rigorous process of market testing, and by working together to follow SFT’s Hub process.

- On the East Lothian Community Hospital, Hubco had, until recently, been progressing the project via an extended Strategic Services appointment. Without this approach, only possible through SFT’s Hub process, the project would have been delayed by over 12 months at an estimated cost uplift of £10m through inflation and change in regulatory standards.

- From a development cost perspective, over the portfolio of projects that have reached the end of stage 2, to date, the net saving in fees compared to the Proforma 2 Pricing Cap is circa £750k, demonstrating value for money for Participants. SFT’s input to key stage reviews and due diligence is essential here is driving value for money.

- By being part of a wider programme of national revenue financed projects lead by SFT, Hub projects realise a 0.5% reduction in the cost of capital. For three of Hub South East’s revenue funded projects awaiting Financial Close, this is a reduction of more than £250k per annum in revenue costs to the public sector – or £6.5m.

3.2 Improving public services in the South East Territory:

Through the delivery of bricks and mortar through the Hub Initiative – from new educational facilities to health centres - SFT is without a doubt contributing to the improvement of public services across Scotland. In the Hub South East area alone, we have now delivered 35 modern, fit for purpose facilities which are allowing more and better services to be delivered in local communities. Feedback from staff and service users of the new facilities we have delivered is overwhelmingly positive and information about such projects can be seen in case studies online.

In addition to this however, a key aspect of Hubco’s offering is assisting Participants with masterplanning, visioning and re-shaping service delivery models. Our early involvement through Strategic Support Services helps to develop projects at a strategic level, allowing key elements to be de-risked before committing financial resources to an entire project. An example of this is the new Leith Partnership Centre Project:
3.21 Leith Partnership Centre

A member of the Hubco team has been seconded into a Participant organisation – the City of Edinburgh Council – for the last 18 months, assisting with a programme of asset rationalisation. After leading the review of the Council’s depot estate to create a strategy that offered a reduced but more efficient modern depot estate, he was an integral part of the team carrying out locality studies.

A key target for these studies is to help identify new collaborative opportunities (a key SFT aim) and define, in particular, how public agency estate resources can be best deployed to improve service outcomes and make efficiency savings. For example, in the Leith area, a large surplus (Council owned) site capable of accommodating a new development for a broad spectrum of services and facilitating a joint property rationalisation process was identified.

Focusing around this site, Hubco and the Council have mapped properties within the Council, NHS Lothian, Police Scotland and other public sector partners’ ownership in the area. A working group with representation from these organisations has been established, facilitated by Hubco, to explore joint opportunities – including potentially a new integrated service facility for Leith on this site in the form of a Community Partnership Centre.

The concept of such a Centre is around supporting multi agency joint working and creating a facility that includes a shared service and community “hub” - putting service professionals and communities together to assist in the co-production of service design. The vision for the operational service model includes a reception area staffed by an expert multi-agency team from various sectors, acting as a single point of contact for the service user. The overall concept is not simply around co-location of public services, but about the true integration of services shaped and prioritised by a community themselves.

A level of outline design feasibility work has already been commissioned via Hubco to establish the service need and the massing potential of the site, but a further level of development is needed to assess the scope, sustainability and deliverability of the project. Access to enabling funds from SFT will be crucial in this scoping exercise. Whilst only at its initial stages, this initiative has huge potential to deliver both service and efficiency gains to a range of public sector partners, as well as playing a major part in the economic regeneration of Leith.

This approach will be key for Hubco over the coming years and will hopefully provide a model which can be rolled out across the Territory to assist our public sector partners in delivering better services.
4 FOSTERING INNOVATION TO IMPROVE OUTCOMES

4.1 Innovation Programme

SFT is supporting Hub South East as at is about to embark on an innovation programme. This will begin with a facilitated workshop between Hubco, Participants and our Tier 1 Contractors. An outcome of the workshop will be to develop an action plan by the end of the year which is based on the ideas exchanged. The key aims of this initiative will be in essence to deliver better value for money and reduce the time taken to develop projects. As such, the areas we will explore can be grouped into three broad themes:

- **Technology** (applying new technology - from standardised components to BIM)
- **Behaviour** (encouraging behavioural change and improved partnership working through better links between partners)
- **Process** (streamlining processes to ensure better supply chain and project management).

As a result of SFT’s Hub model, our easy access to an experienced supply chain, and contacts within public bodies, we are in a unique position to be able to facilitate such a programme which will encourage collaboration across the territory to develop innovative solutions to benefit our Participants.

Notwithstanding this, however, there are many examples of where Hub South East is already developing more innovative solutions to do more with less, as evidenced by the following two examples – the Rising Rolls Programme and the NHSL Primary Care Framework:

4.2.1 Rising Rolls

SFT has lead on initiatives to encourage pioneering design. The use of repeatable and standardised modular design is one which SFT is championing and in Hub South East this can be seen in action as we have now completed 14 school extensions for the City of Edinburgh Council, touching the lives of around 4,000 primary pupils in the city, with further schools in development for Phase 4. This is testament to this flexible, quality solution that really works.

The Rising Rolls programme is an innovative solution to help tackle rising school numbers by developing, designing and constructing new classrooms in short timescales. These new school extensions are being built as long term solutions, with life cycle cost analysis based on a 30 year life span.

We work with staff at the Council to provide a standardised approach to various class sizes that can be rolled out across multiple locations. Individual facilities can...
have their own identities that reflect the site, local planning restrictions and user preference, but a standard pallet of materials is used.

This allows a tight programme to be set in terms of design, development, approvals and construction, producing a quality, long term solution but with a quick turnaround – faster than would have been achieved procuring traditionally outside SFT’s Hub process.

The benefit of the way we work in partnership to deliver the Rising Rolls programme is that because of the way SFT set up the Hub model, we carry out early work under a Strategic Support Services commission, including site investigation and stakeholder consultation on design, with a view to firming up costs and submitting and gaining planning approval.

This work is all carried out in the last quarter of the year and during the first quarter of the next year, the Participant clarifies exactly which facilities they wish to take ahead, based on their final school roll numbers. A New Project Request (NPR) is issued, key appointments are made and then the Tier 1 Contractor starts on site. All work is then completed by the end of the Summer holidays so the new term can start in their new classrooms. This could simply not be achieved by any traditional procurement route.

4.2NHSL Primary Care Framework

As part of our strategic remit, with SFT’s support, we have been developing proposals around how, in partnership with NHS Lothian and our wider supply chain, we can provide Participants with a service which:

- Develops a rolling programme of projects, promoting improved standardisation and pursuing volume discounts, further creating a standardised model of service delivery.
- Focusses on service delivery and not simply capital projects.
- Contributes to the quality of a Participant’s service delivery.
- Promotes integration across public services.
- Contributes to the ethos of continuous improvement / development.

Hubco and the Territory Partnering Board have worked together to gain an understanding of individual organisations’ immediate, short, medium and long-term needs and its aspirations. Following this initial investigation, we developed proposals around a strategy for the delivery of services which address the above points.

One area of development was to review what could be developed / delivered around the needs and aspirations of a single Participant. We have focussed on NHS Lothian and specifically on their Primary Care programme. Initial discussions between Hubco and NHS Lothian reviewed how the existing programme was formulated, procured managed and reviewed on an annual basis and what internal and external resources
were required for its delivery. Further discussion then focussed on how Hubco could enhance the existing process by looking at the design development, procurement and delivery strategically over a longer period of time as opposed to annual allocations.

As a result, **NHS Lothian has commissioned Hubco to develop, design, procure and deliver its £65m Primary Care programme over an initial three year programme, with an option to extend this to five years.**

We have so far established a single team, including our contractor, who is engaged over a fixed term period, with a view to developing multiple projects which we hope to progress to Initial Agreement stage. The second phase will involve the same team supporting the early development of projects to a design Stage B+, allowing projects to be costed and de-risked before the issue of a New Project Request. This phase will be applied to projects that have Initial Agreements and funding approval.

As part of the early stage of development, through the pre-Initial Agreement phase and extending into Stage 1 design, we will be promoting a standardised ethos. This has the intention of saving up to 15% on the initial capital costs through a form of repeatable design and service models.

This new approach to assisting with service delivery is testament to our public sector Participants’ confidence in our ability to deliver strategically – an excellent example of using SFT’s Hub process in an innovative way for the benefit of our Participants.

## 5  ENCOURAGING COLLABORATION TO IMPROVE EFFICIENCY

**SFT plays a key part in promoting collaboration,** whether that is collaboration between Hubco, the Participant and its supply chain to improve efficiency on the delivery of projects (as can be seen in the examples above of Rising Rolls and the NHSL Primary Care Framework), or whether it is the collaboration and integration of public sector bodies to develop and work together in shared facilities (eg the potential Leith Partnership Centre). Here are some additional examples of how Hub South East is encouraging collaboration to improve efficiency:

### 5.1 Shared facilities

Hub South East has already delivered a number of facilities procured and used jointly by two different public bodies. As well as community hubs in Drumbrae and CRAIGMILLAR HOUSING VARIOUS COUNCIL DEPARTMENTS, alongside the Police for example, there is the Wester Hailes Healthy Living Centre – a joint NHS and Council facility delivering a variety of health and social care services in the one facility. In addition to this, the Gullane centre houses a medical practice run by NHS Lothian, and a day centre for older people, run by the Council. **As well as efficiencies in the joint**
procurement and ongoing costs of such facilities, there are reported benefits such as increased referrals and ease of access for service users.

5.2 Shared supply chain

Kelso and Newbattle High Schools are two separate projects in two different local authority areas (Scottish borders council and Midlothian council) but because both are being delivered by Hubco in similar timescales, we are able to look at efficiencies that can be delivered across both sites. Already, **cost savings have been made in relation to key appointments such as designers**, and further savings will be realised through increased economies of scale and supply chain management. This is just one example – through our innovation programme we will be looking at how to further enhance this offering for collaborative working to achieve efficiencies.

5.3 Internal Collaboration

SFT’s Hub process has allowed secondments into Hub from public sector Participants, as well as the secondment of Hub staff into Participant organisations. In addition to this, **collaboration internally has improved through co-location of staff** – notably on the Royal Edinburgh Campus partnership working through a shared office on site. This has allowed the co-location of NHS staff, Tier 1 contractor and Hubco staff, as well as designers and cost advisers. This proved particularly beneficial in reaching the agreement on costs for the Stage 2 submission as quick decisions could be made.

6 SECURING BETTER OUTCOMES (job creation, training and apprenticeships, environmental sustainability, broader community benefits and digital connectivity)

6.1 Community Benefits

One of SFT’s main aims when setting up the Hub initiative was to ensure that communities and businesses in Scotland realised wider benefits from the community infrastructure projects and this is an area which has irrefutable evidence of its success. In Hub South East alone, we can demonstrate the reality of community benefits beyond simply bricks and mortar, having delivered since our inception:

- More than 15,000 site, school and further education visits
- More than 1,600 school and further education work placements
- 81 new graduate places
- 132 new apprenticeships and trainee places
- 109 new jobs
In addition, we have worked closely with our supply chain to ensure that local opportunities are realised wherever practicable. This has resulted in **84% of our contracts on completed projects, being awarded to Scottish SMEs**.

Hub South East has also raised over £15,000 for local charity in 2015 – the Grassmarket Community Project – through a charity golf day. This was a real team event, demonstrating the commitment and support of Hub South East’s two Tier 1 contractors – as well as its supply chain - to come together and give something back locally. **The charity operates very much like a Supported Business, which are championed by SFT, and we are keen to explore options to involve them in future projects, so that the legacy of this event continues well beyond the funds raised.**

An example of where we have already done this is on the Royal Edinburgh Campus where the Project was given 40 trees that were taken off site during advance works. They are taking them to their workshops where they will be planked and cured then 50% will go to creating furniture for their initiative and 50% will go back to NHS for use for artwork on the Royal Edinburgh Hospital project.

> “Thanks to this Hub project, I’ve now been taken on by Morrison Construction as a Trainee Quantity Surveyor…. If anyone is ever questioning whether or not these types of Meet the Buyer events result in real opportunities – well I’m proof that they can!”

Ritchie Rutherford, 18 years - attended a local Meet the Buyer Event as part of the Galashiels Transport Interchange Project, and ended up with a job with our Tier 1 Contractor, and being supported through University.

> “Being on the Hub supply chain, as an approved contractor, we feel there is more chance of securing work and gaining new business contacts, that we wouldn’t have had the opportunity to get in contact with.”

Allan Morgan, Parkhead Welding Co Ltd.

> “To be able to get out on site in their first week, I am convinced has made a greater impression on the career opportunities and the industry than we could ever have made in the classroom.”

West Lothian College Lecturer after students visiting Rising Rolls and Council nursery sites.

> “We look forward to forging a longer term relationship with Hub South East and its supply chain to further contribute to the sustainability of the Grassmarket Community...”
Jonny Kinross, Chief Executive, Grassmarket Community Project

6.2 Project Bank Accounts

SFT is key in promoting best practice and the treatment of supply chain members. Hub South East has been encouraged to trial Project Bank Accounts in an effort to benefit SMEs further down the supply chain, ensuring prompt payment and protecting them should there be any unforeseen issues with Tier 1 Contractors.

7. CONCLUSION

As has been evidenced above, the Hub initiative, driven by SFT, is delivering real benefits to Participants, service users, supply chain members and the local community.

SFT plays a key role in overseeing this programme, promoting collaboration between public sector agencies, overseeing governance, promoting best practice and acting as a central point of contact for advice and guidance.

Efficiencies are being delivered through innovative new ways of working, resulting in Value for Money for public sector bodies and undoubtedly, public sector services are being improved.

Hub South East Scotland believes that SFT is providing a strong and vital contribution to the development of Scotland’s community infrastructure, meeting its aims and in turn contributing to Scotland’s economic success.