



Impact Assessment and Evaluation of the hub Programme

Report for

SCOTTISH
FUTURES
TRUST

Final Report: 12th January 2021

EKOS Limited, St. George's Studios, 93-97 St. George's Road, Glasgow, G3 6JA

Reg 145099

Telephone: 0141 353 1994

Web: www.ekos-consultants.co.uk

Contents

Glossary of Key Terms	1
Executive Summary	3
1. Introduction	4
2. Study Method	5
3. The hub Programme	8
4. Data and Document Review	15
5. Consultation Feedback	19
6. Impact Analysis	24
7. Conclusions and Recommendations	36

Direct enquiries regarding this report should be submitted to:

Mhairi Donaghy, Associate Director, EKOS

Email: mhairi.donaghy@ekos.co.uk

Tel: 0141 353 8309

 As part of our green office policy all EKOS reports are printed double sided on 100% sustainable paper



SCOTTISH
**Business
Pledge**

Glossary of Key Terms

The hub Programme is a complex model with a considerable number of parts, at national Programme level, at Territory level and at individual project level. These parts are typically discussed in their abbreviated acronyms.

In writing this report, consideration was given to avoiding all but the essential acronyms, but in reviewing the content the full use actually blocks the flow of the text and therefore the understanding of the content. This upfront glossary is intended as an easy reference point for the reader.

CI – community infrastructure projects, typically office and administrative facilities, serviced facilities, depots, workshop facilities, health facilities education facilities, social housing, special needs housing, care homes, student accommodation, social care facilities, tourism facilities, sports and leisure facilities, swimming pools, court buildings, offices, libraries, museums, community halls and town halls.¹

DBFMCos – the Design, Build, Finance and Maintain Companies.

hubCo (or hub company) – the public private joint venture companies established to deliver CI projects and partnering services for Participants via the hub Programme.

hubCo Board – governance body for the hubCos (separate Boards for each of the five hubCos).

hubCo Shareholder – three categories: private sector, public sector and SFT.

hub Programme – the Scotland-wide hub Programme is delivered through a partnership between the public and private sectors. Throughout this report ‘Programme’ should be taken to mean the five hubCos, the five TPBs, the individual Participants, the TPDs, SFT as the PMO and the NhPB.

NhPB – National hub Programme Board, governance body for hub Programme.

Participant – public sector body eligible to use hubCos.

PMO – Programme Management Office.

¹ The list of Community Infrastructure examples is illustrative only. The precise nature of the type of projects which can be delivered by the individual five hubCos is dictated by the list of Territory-specific Participants and scope of works narrated in each Territory Partnering Agreement.

SFT – Scottish Futures Trust.

SFTi – Scottish Futures Trust Investment Ltd, a wholly owned subsidiary of SFT whose sole activity is an investment company.

SLA – Service Level Agreement.

SPV – Special Purpose Vehicles.

TDP – Territory Delivery Plan (strategic plan with an outline of the potential future workflow within each Territory).

TPA – Territory Partnering Agreement (legal agreement between hubCo and Participants to create the long-term strategic partnership).

TPB – Territory Partnering Board (attended by Participants, SFT and hubCo representatives).

TPD – Territory Programme Director (employed by SFT either directly or via a staff secondment arrangement).

Our thanks are extended to everyone that supported the delivery of this study – in particular, the SFT team and Steering Group that guided our work throughout, and also the people and organisations that participated in the in-depth consultation programme. While the knowledge and expertise of everyone has been crucial in informing the study, the opinions, conclusions and recommendations are based on EKOS' views alone.

Executive Summary

Established in 2010, the hub Programme is a Scotland-wide partnership model that brings public and private sector bodies together to deliver new community infrastructure (CI) in five 'Territories'. The Programme was developed, and is managed, by Scottish Futures Trust (SFT) with a central PMO providing oversight and support to the operational hub Programme.

Over the past ten years the five regional public/ private companies (hubCos) have delivered in excess of £2.2bn investment in circa 200 CI projects, a significantly larger volume and value of activity than was envisaged. There is substantial continued interest in, and support for, the Programme as evidenced by a further £1.2bn of pipeline investment either under construction or at project development stages.

With a wide range of projects delivered across all five hub Territories, the Programme has provided high quality CI projects that have not only improved the setting within which services are delivered, but it has also delivered clear and quantifiable impacts for both the public and private sector stakeholders. Feedback from consultees is that working on projects through the hub Programme has helped to improve skills and knowledge, particularly in relation to the public sector as an 'intelligent client' but also giving the private sector a better understanding of the market requirements for CI projects. These skills have been transferred into non-hub project activity, further expanding the benefits of the Programme.

Overall, the hub Programme has performed well against the original objectives, it has delivered substantial impacts and benefits, and there is strong support from across all the stakeholder groups for it to continue. It is a complex Programme operating at national level, but with all project, collaboration and partnering activity happening at Territory level. To have maintained solid support after ten years of operation is a major achievement and demonstrates that Stakeholders have high confidence in hub for the future.

Our core recommendation from this research study is that the hub Programme should continue. A series of specific recommendations to improve performance and impact are grouped into three thematic areas – governance arrangements, operational arrangements and strategic issues. It is, however, essential that these are considered carefully to ensure that any change retains the positive aspects that stakeholders place high value on.

1. Introduction

The hub Programme² was established in 2010 to deliver community infrastructure in five ‘Territories’ across Scotland. With an overarching National Programme Board, it comprises five regional public/ private companies (hubCos) that have delivered in excess of £2.2bn³ investment in circa 200 completed community infrastructure projects, primarily education and health care facilities⁴ but also across a wide range of other project types. With a further £1.2bn of projects at construction or project development stage, the total Programme value equates to £3.4bn in 272 projects.

The purpose of the study is to deliver an impact evaluation of the hub Programme. SFT wishes to understand the impact of the Programme and how it has responded to its original aims over the past ten years.

Scottish Futures Trust (SFT) developed and delivers the Programme on behalf of the Scottish Government, with a central Programme Management Office (PMO) team providing oversight of, and support to, the operational hub Programme. Each hubCo is established as an independent company with its own Board of Directors comprising those nominated by the public⁵ and private sector shareholders. A Territory Partnering Board (TPB) is chaired by one of the public sector Participants and all Participants are represented on this Board.

The focus of this report is an independent evaluation on the impact of the hub Programme across Scotland – based on document and data reviews, and a large-scale consultation process with a wide range of stakeholders. The final chapter in this report outlines our findings against the study objectives, and presents our recommendations on how the Programme could be shaped to improve future performance and impact.

In setting the context for this report, and as outlined in subsequent chapters, it is important to report up-front that the hub Programme has been very successful. It has delivered a substantially higher volume of investment than was envisaged at the outset, and has an active pipeline of projects for the future.

² See the glossary for definition of the hub Programme.

³ All capital values relating to construction costs are the cost incurred at the date of Financial Close, these have not been inflation indexed.

⁴ Details taken from the latest Programme documentations available at the start of this study period – June 2020.

⁵ The public sector directors include a representative from SFTi.

There is considerable support for the Programme and recognition of the impacts and benefits that it has achieved over the past ten years. In looking forward, there is a strong desire to see the Programme continue and, where possible, to see it evolve in a way that reflects the current, and emerging, policy context.

2. Study Method

EKOS is an economic and social research practice with over 25 years' experience in delivering evaluation studies for public sector clients. We were appointed by SFT to provide an independent and robust review that details the progress toward achievement of strategic outcomes compared against the original programme objectives, demonstrating the extent to which (quantitative and qualitative) socio-economic benefits that have been delivered, and capturing learning points to support future activity.

SFT and hubCos already gather substantial data/ intelligence on individual project performance against cost, time and quality metrics and on performance against community benefits KPIs. SFT has tasked EKOS with assessing the wider spillover impacts and benefits that have been generated at the Programme level. The three overarching objectives of the evaluation were to:

- assess the outcomes achieved and consider progress against the original aims and objectives;
- gather evidence and measure the additional quantitative and qualitative socio-economic benefits that have been generated; and
- identify learning points and examples of good practice that can be used to inform the future delivery of community infrastructure.

In delivering the research, EKOS adopted a five-stage study method, as outlined in Figure 1. A largely linear approach was adopted with each stage delivered on completion of the previous. The Stage 3 engagement phase was the most substantial element and involved an in-depth consultation programme that captured the views of almost 100 respondents via a series of one-to-one interviews (c. 60) and an online survey (c. 35).

Figure 1: Study Method

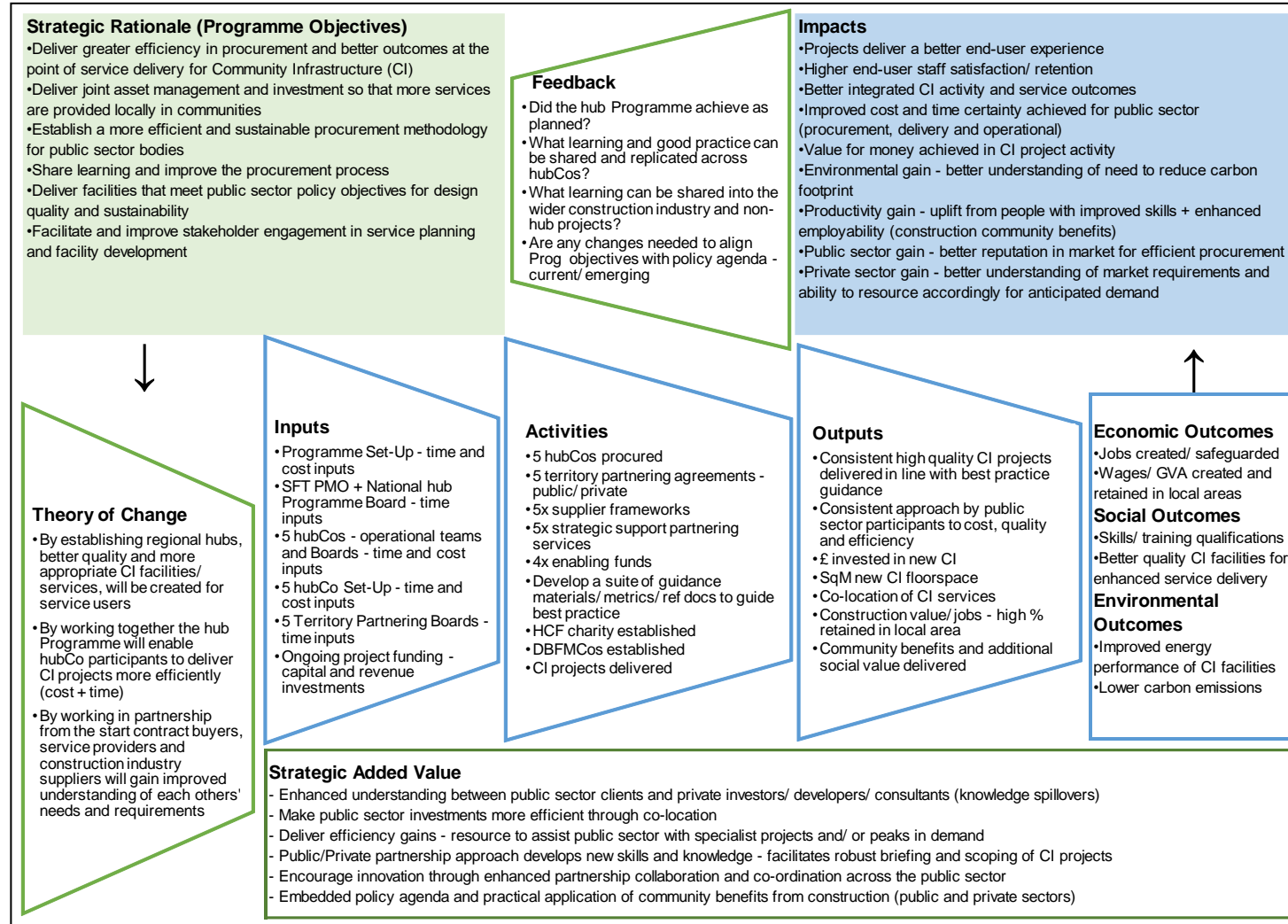


At the start of the study process, EKOS prepared a logic model for the hub Programme to help us understand how the original aims and objectives might lead to long-term outcomes and impacts. This theoretical route to impact (presented at Figure 2, over) was used to inform the focus for the Stage 3 consultation programme and was subsequently tested through the analysis work, as presented in Chapter 6.

This report presents the findings of our evaluation and review. As per the objectives, the study has focused on performance and impact at the hub Programme level. While it touches on issues relating to individual hubCos and Territories, these are only reported where they help to illuminate outcomes and recommendations for the full Programme.

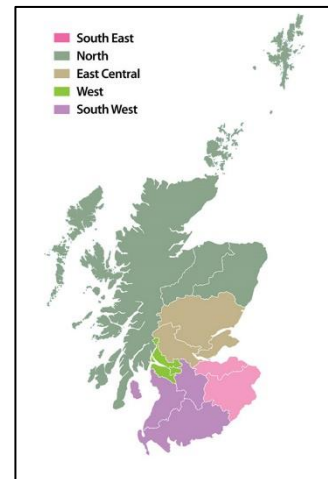
It is also important to note that this report is not an audit of the hub Programme and, as such, while we have reviewed the data on project activity delivered by each of the hubCos, we have not reviewed or validated *individual project or hubCo performance*.

Figure 2: hub Programme Logic Model



3. The hub Programme

The original rationale and roots for the hub Programme can be traced back to 2001 when an initial scoping report⁶ recommended a new joint venture (JV) model be established for delivery of Community Infrastructure (CI) projects. From this, a Short Life Working Group on Joint Premises was established, which recommended a Public Private Partnership structure. Through various stages of feasibility, analysis and options appraisal this ultimately led to the establishment of the national hub Programme and individual hubCos covering five Territories in Scotland – South East (July 2010), North (February 2011), East Central (February 2012), West (April 2012) and South West (October 2012), as per the map opposite.



Following its formation in 2009, SFT was tasked by the Scottish Government with developing and delivering the hub Programme.

While a broad range of strategy and policy will have established the need for, and guided the development of, the hub Programme, it is likely to have drawn on two key expert reviews – the Latham Report⁷, which reviewed procurement and contractual arrangements for the UK construction industry and concluded on the need to adopt an integrated partnership approach based around collaboration and teamworking; and the McClelland Review⁸, which focused on public sector procurement in Scotland with recommendations based around an efficient government agenda, including specific reference to construction project activity.

Through the hubCos, the public sector has procured delivery of community infrastructure (CI) through two overarching project investment types:

- the main route by which the hubCos have supported the delivery of CI projects is through the delivery of **capital funded projects** – where the public sector paid the capital cost of construction and the hubCo procured

⁶ A copy of this document has not been obtained, but it is noted in subsequent documents as the first reference to a JV model for CI premises delivery in Scotland.

⁷ Constructing the Team, 1994

⁸ Review of Public Procurement in Scotland, 2006

project delivery (accounting for three-quarters of all completed projects and 44% of total investment value between 2010 and 2020); and

- in addition, through the unique hub structure **revenue funded projects** were also delivered – where the hubCo procured the investment capital, project delivery and maintenance, and the public sector paid a revenue charge over a set period after which the asset will be transferred to public ownership (accounting for one-quarter of all projects and 56% of total investment value, 2010-2020). This approach was discontinued in 2019 due to classification issues⁹.

This distinction in hub project investment is critical in understanding the hub Programme. There is some misunderstanding – amongst people that are not involved in the detail – that hubCo’s were established to solely, or substantially, deliver revenue funded projects¹⁰ or that the hub Programme is a financing mechanism rather than a programme which develops and delivers CI projects. Wider issues around the rationale, need and support for revenue investment in public sector assets (for which policy and funding are set at the Scottish Government level) can influence the perception of, and support for, the hub Programme.

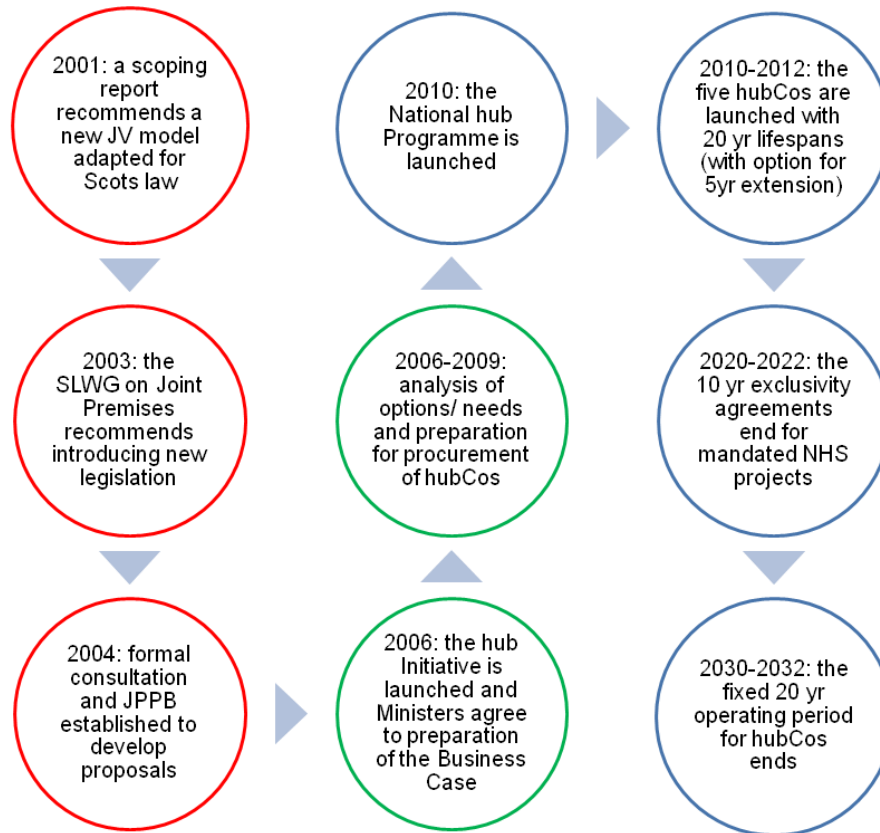
The hub Timeline

The key dates in the route map to establishing the hub Programme are outlined in Figure 3, over. At almost ten years, the length of time from the initial scoping report (2001) to formal hub establishment (2010) is particularly notable and, while very long in this instance, highlights the extent of feasibility and review work involved in setting up complex investment and delivery vehicles.

⁹ In 2019, a review by the European PPP Expertise Centre (EPEC) of the accounting treatment of revenue funded procurement resulted in the Scottish Government no longer using the DBFM route for the delivery of projects via the hub Programme.

¹⁰ The profile of hubCo projects currently at construction stage is predominantly toward capital funding against both value (74%) and number of projects (88%). All hubCo projects currently at development stage are profiled as capital investments.

Figure 3: Route Map for the hub Programme



SLWG – Short Working life Group; JPPB – Joint Premises Project Board
Note: red = feasibility, green = set-up, blue = operational

Once procured, each hubCo has a 20-year operating period with an option to extend for a further five years. For the first ten years, NHS Boards within each Territory are mandated to use hubCos as the first option for delivery of qualifying NHS projects as narrated in the original OJEU notice/ TPA. hubCos were also the sole delivery route for revenue funded CI projects delivered on behalf of NHS Boards or as part of the Scottish Government’s “Scotland’s Schools for the Future Programme” (2009-2019)¹¹.

At the outset c. 5-6 projects were committed for each hub Territory, ensuring that hubCos were established with an immediate and substantial pipeline of work.

¹¹ <https://www.scottishfuturestrust.org.uk/page/current-schools-for-the-future>

Governance Arrangements

At the hub Programme level, SFT provides oversight and management on behalf of Scottish Government, with a Programme Management Office (PMO) reporting to a National hub Programme Board (NhPB).

The PMO manages the Programme on behalf of the NhPB and gathers key project monitoring data, providing consistent national benchmark data against which the performance of the overall Programme can be measured. In addition, three Territory Programme Directors (TPDs)¹² work across the five Territories, providing a direct link between hubCo and hub Programme PMO.

Each hubCo is a stand-alone entity with a dedicated staff team and oversight by its own Board of Directors, responsible for the governance and management of the company. It should be noted that the structure and governance of each hubCo creates rights for the public sector that protect the public interest by placing restrictions on the distribution of profit for the shareholders. While the hubCos are not conventional 'not for profit' entities, they were primarily established to deliver the objectives of the hub Programme, rather than to generate profits for shareholders.

The Directors, which represent the three categories of Shareholders are:

- the A Shareholder – SFTi – 1 Director;
- the B Shareholder – Share holding Participants – 1 Director; and
- the C Shareholder – Private Sector – three to six, of which three have voting rights on the TPA defined hubCo matters.

Within each hub Territory there is also an independent Territory Partnering Board (TPB), comprising all of the Participants and chaired by one of the public sector body shareholders. The TPB is responsible for development of a Territory Delivery Plan (TDP), which should be the means for Participants to consider collaboration and partnership opportunities for future project development, and to embed learning from completed developments.

Most, but not all, of the public sector Participants are shareholders in the hub company serving their Territory; those that are, collectively invested £300k to the hubCo set-up costs, complementing the £600k private sector shareholder

¹² Two employed direct by SFT, one seconded.

investment and £100k SFT investment, giving each hubCo an initial working capital fund of £1m.

Operational Arrangements

The Programme has several levels of governance, involves multiple stakeholders, and brings together the public and private sectors in five formally constituted hub partnerships. Each of the five hub partnerships have slightly different operational arrangements – from the Territory Partnering Agreements (the legal agreement between stakeholders), through the ownership and management arrangements, to the Participants involved and the activities that can be delivered. What is common across all of the hubCos is that they recover fees based on the value of the projects that they deliver on behalf of Participants.

These variations are the result of a phased approach to procurement of the Territory hubCos, with two pathfinders set up in 2010 for the South East and North Territories to test the concept and inform procurement of the remaining hubCos. There does not appear to have been any formal review, but anecdotal feedback indicates that learning from the tendering process was incorporated into subsequent procurement arrangements (OJEU notices¹³) as each hubCo was developed.

As the early hubCos began to deliver CI projects, a number of additional lessons were identified and incorporated to support implementation and delivery e.g. the number and range of Tier 1 and FM contractors was increased, the private sector partner input shifted from contractor/ developer to developer/ investor led, the description of CI activity was expanded (e.g. to include housing) and, for hub West and hub South West, the ability to add new Participants was incorporated. These changes also reflect the market responding to the perceived public sector appetite for CI project delivery through the hub Programme.

Whilst the phased procurement approach for the five individual hubCos allowed for lessons to be incorporated on an ongoing basis, it does mean that at the Programme level each Territory evolved with a slightly different operating model, reflecting the proposals of the different private sector entities that bid for and were awarded these contracts. Given the formal procurement arrangements covering a 20 year delivery period, we have been advised by SFT that it would be contrary to procurement regulations to amend the core operating principles of the TPA – as noted by

¹³ An OJEU notice is required for all procurements regulated by the Public Sector Procurement Directive.

consultees (and referenced in the final chapter with recommendations) this is seen as a limitation.

While there are subtle differences, the ownership structure is the same across each of the hubCos. Each hubCo is a separate entity with its own shareholders – the private sector has a 60% shareholding which is spread across the private sector consortium (generally investors and developer/ contractors) which were appointed to form the hubCo via the competitive dialogue procurement process; the public sector (primarily local authorities and NHS Health Boards and blue light services) from within the Territory has a 30% shareholding (the Participants), and SFTi holds the remaining 10% of the shares. This binds the parties into a partnership model, intended to encourage collaboration and integrated working and ensure everyone gains from the positive performance of the hub Programme in their Territory.

Public sector bodies within each of the Territories need to formally become Participants, as defined within their Territory's TPA in order to take advantage of the hub model for procurement and delivery of CI projects. As referenced earlier, hub West and hub South West are the only Territories with the ability to add new Participants; the other hubCos are restricted to working with Participants that joined at the outset when the hubCos were established.

As noted, hubCos have delivered both capital and revenue funded CI facilities¹⁴. Where revenue funded projects were delivered, separate stand-alone companies¹⁵ were established – these take the form of Special Purpose Vehicles (in the form of DBFMCos or in the case of some early projects, subhubCos) that have responsibility for delivering, financing and maintaining the assets during a 25-year contract period, based on a legal agreement with the public sector that includes performance-related monthly payments. Thereafter, ownership will be transferred to the public sector.

Following an update to EU accounting practices in 2014 (ESA10 notice¹⁶) these SPVs are owned by the private sector hubCo partners (60%), hub Community Foundation¹⁷ (20%), public sector partners (10%) and SFTi (10%).

The Hub Community Foundation is a stand-alone trust that receives income from its 20% SPV stake (and its provision of subordinated debt) and distributes grants for

¹⁴ DBFM revenue project procurement has not been available for over 18 months due to changes in the accounting treatment of the hub model.

¹⁵ The initial companies established to deliver revenue funded projects were subsidiaries of the hubCos but this structure was changed in 2014.

¹⁶ https://www.audit-scotland.gov.uk/uploads/docs/report/2015/s22_151001_scottish_gov_esa10briefing.pdf

¹⁷ www.hcfcharity.org.uk

charitable purposes. Governed by a Board of Trustees, the Trust was established in 2015 and established the Building Brighter Futures Fund, which is currently providing £1.3m grant funding to five charities over three years (2018-2021). The Foundation is currently reviewing options to understand and identify the most appropriate route for distribution of future grant awards.

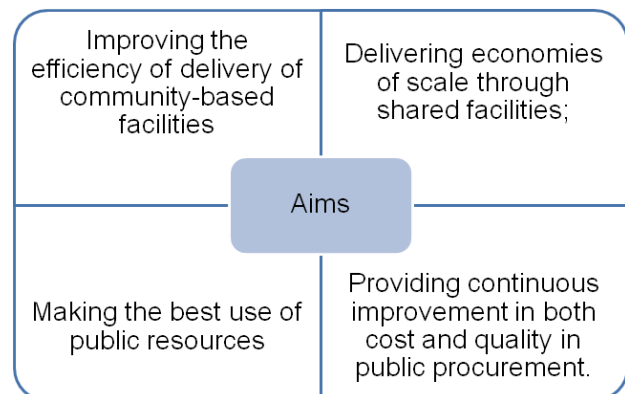
Rationale and Objectives

The rationale and objectives for the hub Programme were formalised in the 2006 Business Case, and subsequently updated for the Territory Partnering Agreements (TPAs). The Standard Form TPA¹⁸ notes that the purpose is to work in partnership with aims and objectives as outlined in Figures 4 and 5.

These aims and objectives have not been formally reviewed since 2010. It is, however, essential to note that they are enshrined in each of the five TPAs, which reflect the long-term ambition for the Programme. Procurement regulations prevent substantial modification to the TPAs.

Figure 4: hub Aims

The hub Programme was established with clear aims that are aligned to an “efficient government” agenda, seeking a best value approach for public sector CI premises development.



The objectives (Figure 5, over) adopt a slightly broader approach. While there remains a strong focus on driving efficiency across the public sector, the objectives also include a role for the Programme (through the establishment of hubCos working with SFT and the TPBs) to support collaboration, partnership and engagement to improve CI facilities and services for users, and also the transfer of knowledge and learning between service delivery bodies.

The aims and objectives, which stem from the original Business Case for the hub Programme, have been used to consider the impact of the Programme, as outlined in Chapter 6, Impact Review.

¹⁸ The template legal document from which all TPAs were developed.

Figure 5: hub Objectives

- The hub objectives means the following key objectives of the hub initiative across Scotland:
- (a) to provide enhanced local services by increasing the scale of joint service working and integration between Community Planning Partnerships, including the third sector, across Scotland to deliver greater efficiency in procurement and better outcomes at the point of service delivery;
 - (b) to deliver a sustained programme of joint asset management and investment into community based facilities and developments so that more services are provided locally in communities through multi-disciplinary teams working (wherever possible and appropriate) from single sites;
 - (c) to establish a more efficient and sustainable procurement methodology for public sector bodies that:
 - (i) reinforces joint strategic planning and delivery;
 - (ii) is stable and long-term;
 - (iii) delivers demonstrably better value for money than current procurement arrangements;
 - (iv) is flexible in its ability to respond to evolving service strategies and in being able to deliver through different contractual/ funding routes;
 - (v) is able to generate sufficient project size, volume and deal flow to attract private finance into the delivery and long-term management of the service;
 - (vi) increases opportunities for local employment and training; and
 - (vii) provides a focus for community engagement;
 - (d) to share learning and improve the procurement process;
 - (e) to deliver facilities for Community Services that meet public sector policy objectives for design quality and sustainability; and
 - (f) to facilitate and improve the level of stakeholder engagement in the planning of services and development of facilities for Community Services

4. Data and Document Review

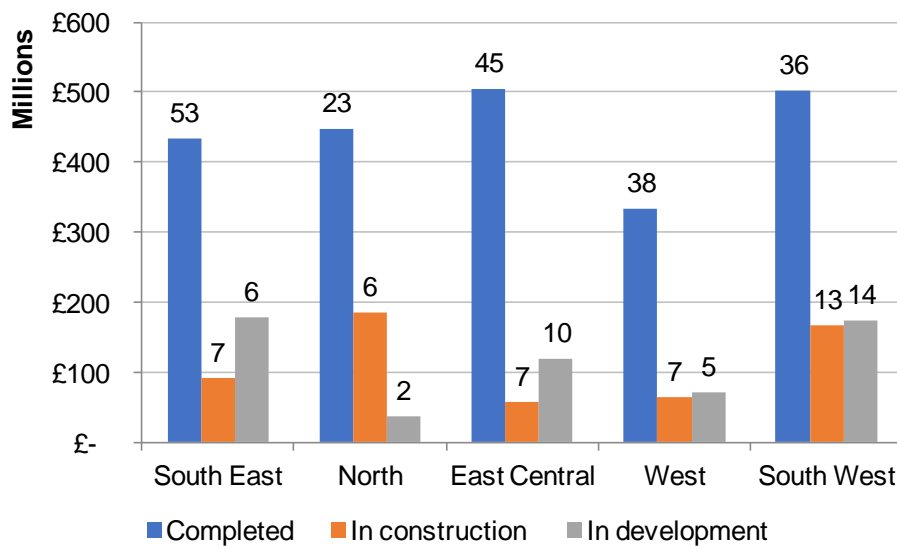
To inform the independent evaluation of impact and performance we reviewed hub Programme monitoring data (provided by SFT), as well as key background documents including Territory Delivery Plans.

At Programme level, SFT gathers key performance data on the individual projects delivered by each of the five hubCos. From 2010 to June 2020, the key project deliverables for the hub Programme are:

- 195 projects have been delivered at a total construction cost of £2.2bn;
- 40 projects are at construction stage at total cost of £0.57bn; and
- 37 projects are at pre-contract development stage, at an estimated construction cost of £0.58bn.

The current estimated value of the Programme is therefore £3.4bn capital investment in 272 CI projects – this is a substantial level of investment and, with the project data collated by the PMO, gives a very strong evidence base against which non-hub project activity could be reviewed. The split in total value and number of projects across each of the five Territories is presented in Figure 6.

Figure 6: hubCo Projects by Territory and Status

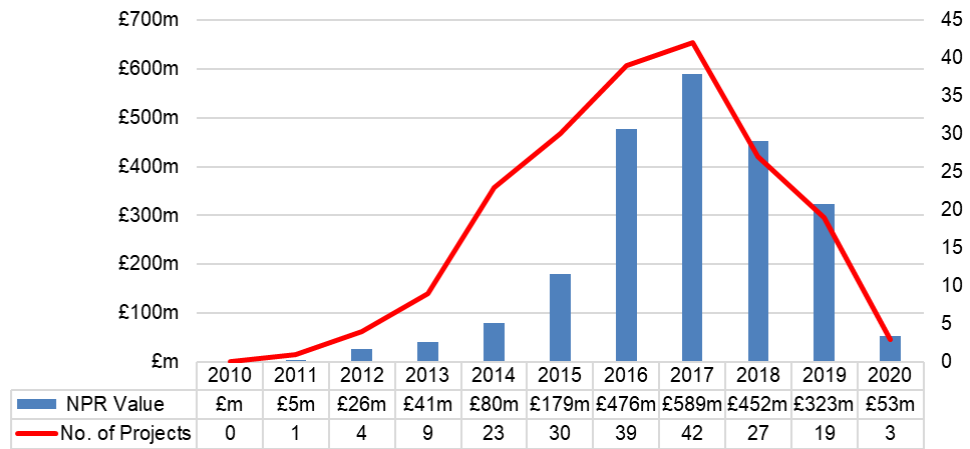


Source: hub Pipeline, SFT, June 2020. Note: Column values represent the total number of projects

The procurement of goods, works and services by the public sector is a significant contributor to the Scottish economy, accounting for over £11bn¹⁹. Over a three year period from 2015/16 to 2017/18, public bodies in Scotland spent around £2bn pa on construction activity, making it by far the single largest category of spend.

Looking at total spend in year of completion, in 2017 the hub Programme recorded its highest annual project spend of £0.6bn, accounting for a significant proportion (over one-quarter) of total public sector construction spend in that year. As presented in Figure 7, the five initial years of the Programme (2011 to 2015) had comparably low spend values (under £100m pa) reflecting the phasing of the creation of the five hubCos and, importantly, the time-lag in construction project activity from investment decision to project completion.

Figure 7: total hubCo Completed Project Spend by Year of Completion

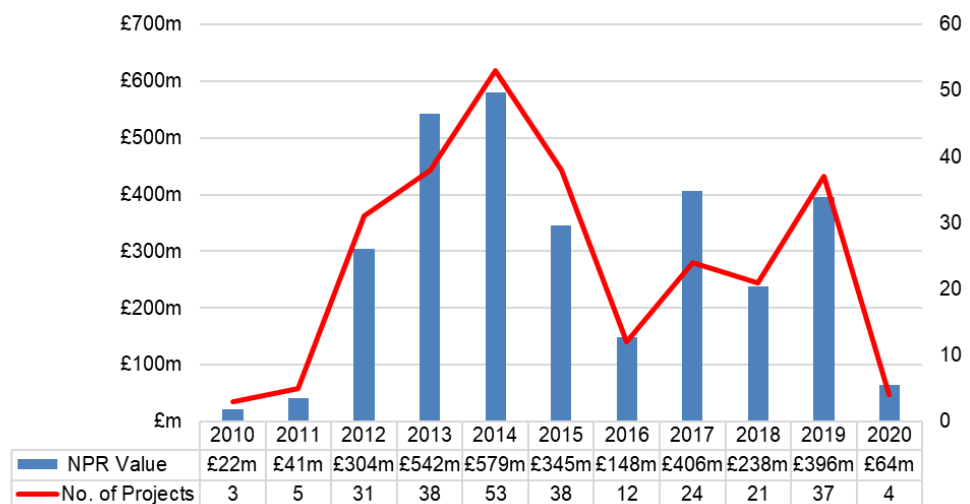


Source: hub Pipeline, SFT, June 2020

Figure 7 does not, however, present a full picture of the Programme. As noted, there is always a time lag in construction projects, often several years between investment decision and project completion. It is therefore also important to look at annual performance in relation to new project requests i.e. the point at which Participants commit projects to the Programme.

As presented at Figure 8, the commitment date (New Project Request) shows a different profile, with the peak in 2013/ 2014.

Figure 8: Total hubCo Projects by Year of Commissioning



Source: hub Pipeline, SFT, June 2020

The profile in Figure 8 is reflective of the wider context i.e. the dip in 2015 and 2016 is aligned with austerity measures taking hold in Scotland and constraining the ability

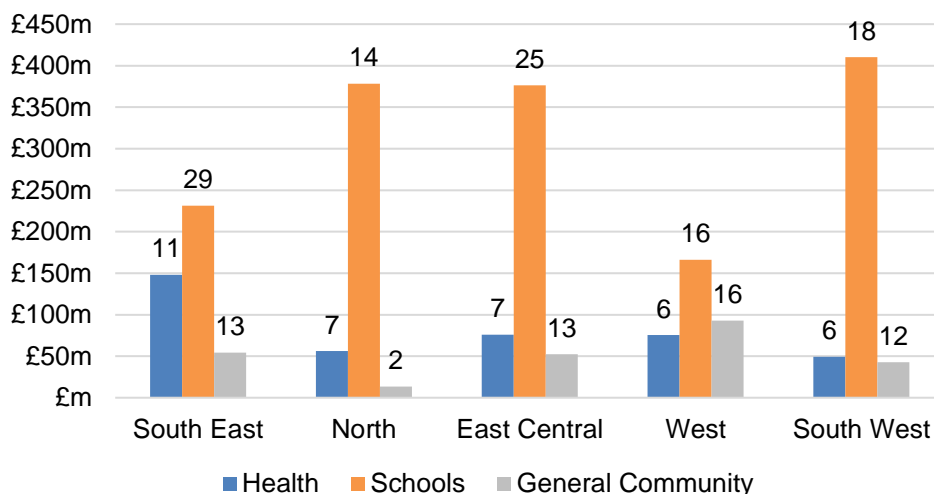
of the public sector to commit to new CI investment. The stark dip in the first half of 2020 can, at least in part, be attributed to the Coronavirus pandemic.

Across both Figure 7 and Figure 8 the fluctuations in activity over the past ten years clearly demonstrate the flexibility of the Programme, and its ability to respond to the needs of Participants; it also demonstrates that there is potential capacity at present to deliver more CI investment through the Programme.

The data used in the analysis of performance for this study was the latest available at the date of commissioning i.e. June 2020. As we neared the completion of the study further data was available from the PMO confirming that a further six projects have been committed to the Programme since June, at a total value of £123m. While the total number of new projects committed in 2020 is low (ten), the total value of these projects (£186m) is higher than the previous dip in 2016, demonstrating that there is ongoing commitment from Participants.

Figure 9 presents a breakdown of completed project activity across each of the hub Territories, showing split by sector and spend. Across the Programme, Schools account for 70% of total spend (£1.6bn) but has been a higher proportion in North (85%) and substantially lower proportion in South East (53%) and West (50%).

Figure 9: hubCo Completed Project Spend by Territory and Use



Source: hub Pipeline, SFT, June 2020

The hub project delivery is guided by the needs of Participants within each Territory, hence considerable variation in the volume, value and type of activity, although the mix of these factors reflects the original procurements.

As reported at Chapter 3, the later procured hubCos (West and South West) have a broader definition of CI facilities and hub West in particular has delivered a greater share of projects defined within the community category, both by value (29% of all project spend) and by number (45% of all projects), including office, residential, leisure and cultural facilities.

Each of the five hubCos have delivered projects through ‘bundling’ where a number of separate CI projects are procured as a package in order to reduce costs and improve efficiency (through economies of scale). In total, 11 separate bundles were delivered at a total value of £300m, equating to 14% of the total hub Programme spend on CI facilities. These projects are made up of six health bundles, four school bundles and one community bundle.

In addition to delivering CI facilities, hubCos provide access to a range of wider technical specialists through their supplier frameworks and also undertake feasibility, scoping and other research commissions on behalf of Participants. These studies, known as Strategic Support Services, are either funded directly by the Participants or are funded through the Territory enabling funds, demonstrating one of the ways that hubCos direct available resources to support their overall purpose rather than maximise shareholder returns. As reported in the consultation feedback at Chapter 5, this is a valued aspect of the hub Programme (particularly in East Central), and is used by Participants to test ideas and opportunities that may, or may not, become part of the future hubCo project pipeline.

5. Consultation Feedback

As outlined in the study method at Chapter 2, the consultation programme for this evaluation study was very large, gathering feedback through a combination of:

- one-to-one telephone and virtual meetings with a broad range of stakeholder organisations including SFT, hubCo Chairs/ CEOs, public sector Participants, private sector delivery partners, and other strategic/ partner bodies – 52 interviews completed;
- one-to-one virtual meetings with a sample of the Tier 1 contractors across the five hub Territories – 8 interviews completed; and
- an online survey issued to the lead contacts within all of the public sector Participants across the five hub Territories – 33 responses submitted.

There was a very high level of participation from the individuals approached for the first two groups – 52 of 56 stakeholders and all eight of the targeted Tier 1 contractors. These interviews were pre-arranged and based on an agreed consultation template; each typically lasted around one hour, with very high levels of engagement.

The response rate for the online survey was, however, substantially lower. In total 33 responses were received from a direct invite to almost 100 contacts and a request to forward to others within the recipient organisation²⁰. This was a relatively simple tick-box survey with the option to provide written comments and while the response rate is low (compared to the other engagement methods) almost all of those that did respond provided written feedback that has been invaluable in understanding the rationale behind their response.

Overview

The primary purpose of the consultation was to understand the extent to which the hub Programme has met its original aims and objectives, gather views on benefits, guide our analysis of impacts, and inform our thoughts on recommendations around areas of future development for hub (as outlined in Chapters 6 and 7).

This chapter provides an overview of the feedback provided in its entirety, across all of the engagement methods. As noted earlier there are some misconceptions around the hub Programme – we have therefore added notes for clarification and/ or correction where appropriate.

Overall, there is strong support for the hub Programme and the hubCos, and while some consultees raised issues these were primarily set in the context of wanting to see continuous improvement, rather than wanting the Programme to end.

Rationale and Policy Fit

There is a good understanding of the original purpose of the hub Programme aligned with the aims and objectives (as outlined at Chapter 3), and focused around efficiency and cost saving. The opportunity to improve partnership and collaboration – *public / private* and *public / public* – was also a common theme.

²⁰ Respondents cover all Territories and work in each of the main Participant groups (council, NHS and blue light services) – while lower than the other consultee groups, this is a credible response rate and feedback is broadly aligned with the contributions provided by the stakeholder and Tier 1 contractor consultees.

There is, however, a slight bias toward the view that it was established primarily as a model for delivery of revenue funded schools and health care facilities.²¹

Improvement in public services through the delivery of high quality CI facilities is the primary purpose of the hub Programme, with efficiency as the underlying aim. There is less consistency on the extent to which the Programme (and the hubCos at delivery end) has maintained good policy alignment as the national position has shifted over the past ten years. While consultees recognise that service change, and therefore required project outcomes, need to be defined by Participants, there is a general consensus of an opportunity for hub to help them embed current and emerging policy aims into project activity and thereby achieve better strategic alignment. In particular consultees referenced emerging Scottish Government aspirations around the low carbon agenda, regional partnership working, wellbeing economics, digital services and place principles.

While some Territories have picked up on different aspects of this policy agenda, there is no consistency across the Programme, and a view (from both public and private sector consultees) that there is an opportunity for the hub PMO to help hubCos and Participants understand these aims and translate policy into practice.

Governance, Management and Delivery

There is little sense of the hub Programme as a national approach²². This is not surprising as all activity happens at the Territory and project level, reflecting the local opportunities and needs of Participants, with the PMO/ NhPB broadly operating as management and assurance structures.

Many of the consultees were unsure whether the NhPB has a governance or a strategic role but think that, in practice, it is focused on the former (acting in an audit or assurance capacity) when greater value could be achieved with a shift toward the latter²³. As the hubCos are stand-alone bodies with their own governance structures, there is a general view that the NhPB should take more of a strategic role in setting the agenda at Territory level (particularly in relation to national policy alignment), in transferring knowledge and learning between Territories, and in amplifying the need/ benefit of a national approach.

21 As outlined at Chapter 3 the majority of projects (completed and under construction) are capital funded, rather than via revenue funded procurement.

22 At the national level, the hub Programme does not have control of project activity (briefed by Participants in contracts with hubCos) or of budgets (controlled by Participants and/ or set by Scottish Government).

23 The NhPB has recently expanded its membership to include representation from all five hubCos. This will help to provide greater balance in discussions and strengthen discussion on strategic issues.

The role of the PMO is understood to be one of governance and assurance – ensuring that hubCos and individual project activity falls in line with performance benchmarks. The role of the PMO in shaping project activity around new and emerging policy is less understood, largely as a result of the Programme’s operating arrangements (i.e. regional TPB strategy, individual Participant’s project needs and hubCo delivery). The PMO, both centrally and through the TPBs, has clearly had a wider role in influencing strategy and project activity, for example from the original focus on community benefits through to the recent work in embedding social value appraisal.

There is a perception that a large volume of data is gathered from the delivery of projects through the hub Programme, with different views on the need for this. Given that projects and budgets are not controlled at Programme level, in reality there is a practical need for the PMO to gather data in order to report on performance across all Territories. There is, however, a general view on the need to review data gathering to ensure that there is a clear purpose and benefit, but this should be set in the context that the data gathered gives the Programme a very strong evidence base and transparency on the performance of hub projects.

The role of the TPDs is less clear. This is acknowledged to be a somewhat difficult role that combines the need for policing and audit, alongside promoting opportunities for enhanced partnership and collaboration. There is a general view that the TPDs should be a conduit to share learning and good practice between the Territories.

There are a broad range of views on the function of the TPBs – some consultees report that they are an effective route to discuss regional partnership and collaboration, but typically consultees report that the effectiveness could be enhanced through better attendance, both in terms of frequency and seniority of attendee. In particular, the approach by the North and, to a lesser extent, East Central Territories (splitting TPB function into separate strategic and operational discussions) was noted as being effective.

Performance

Views on the performance of the hub Programme vary considerably between the consultees²⁴. Whilst there is a bias toward high levels of satisfaction from all consultees (in particular, those with a commercial interest) and some dissatisfaction

²⁴ While the consultation discussions were focused at the Programme level, in reality the conversation often dropped to individual hubCo and Territory level as that is the context in which most stakeholders engage.

(mainly from Participants), this is not unanimous within either group. There is also some level of variation depending on which Territory consultees are familiar with.

In line with the aims of this impact assessment, discussions were focused at the Programme, rather than Territory or individual project, level. We did not seek to gather feedback at Territory or project level, and therefore do not have sufficient (or consistent) evidence to report below the Programme level. It is, however, clear that feedback from some consultees on Programme performance is impacted by their experience of individual project performance.

By and large, responses from most people fell into the 'grey' category of some good/ some bad aspects, and consultees identified a wide range of strong(er) and weak(er) aspects of the hub Programme.

In line with the PMO's analysis on the Programme Dashboards, surety on time and cost (post project financial close) is consistently noted as strong, and performance on Community Benefits/ Social Value is rated high.

The hub Programme was launched against a backdrop of Community Benefits becoming standard practice for the public sector in Scotland²⁵, and by-and-large is regarded as being instrumental in 'normalising' their use by both public bodies and private sector contractors for projects delivered outwith the hub Programme.

On the flip side, the time and resource input to reach financial close is consistently noted as being poor, particularly for small(er) projects where the standardised project development process is seen as overly burdensome. In practical terms, however, it is this level of project detail in the up-front stages that ensures hub projects perform consistently high against time and cost surety indicators.

Collaboration and partnership between Participants are understood to be very difficult due to the differing internal working arrangements of each, and consultees therefore believe that limited progress has been achieved in this area. There is recognition that whilst collaboration is an objective of the Programme, in reality it is outwith the control of the Programme, and is dependent on the culture, attitude, behaviour and governance arrangements of individual Participants.

Albeit with some negative outliers, the area of performance where there is broad agreement is that the outturn cost and quality of hubCo projects, compared to

²⁵ <https://www.gov.scot/publications/scottish-government-community-benefits-public-procurement-guidance-note/>

projects procured via other routes, is not thought to be particularly better or worse²⁶. Consultees reported that there are benefits and dis-benefits of all procurement routes, and decisions are usually made on the specifics for each individual project.

Thoughts on the Future

There is substantial support for the hub Programme and a strong desire that it be retained as a project partnership and delivery model for the future, but this needs to be set against the desire for change, as presented in the recommendations at the final chapter.

In summary the key changes sought include: a stronger strategic function at the national level (sharing good practice and helping to embed policy aims into practice) that feeds into an enhanced strategic approach at the Territory level (via the TPBs) and addressing what is perceived to be a rigidly defined approach to project development in the stages before financial close is reached.

These issues are taken forward into our final conclusions and recommendations.

6. Impact Analysis

The theoretical logic model presented at Chapter 2 - Study Method (Figure 1) has identified the impacts that the Programme may have been expected to deliver. The consultation process and our analysis of the quantifiable and qualitative socio-economic impacts (as outlined in this chapter) demonstrate that the anticipated impacts have been achieved, but to varying degrees.

Our overview assessment of the performance that the hub Programme has made against the forecast impacts is noted over the following pages.

²⁶ With the absence of a robust large-scale evidence base for non-hub projects, the performance of hub projects cannot be compared. There may, however, be aspects of 'optimism bias' as defined in HM Treasury Green Book Appraisal and Evaluation Guide, in that the lack of comparable evidence allows an overly optimistic view on the performance of projects delivered outwith the hub Programme.

Figure 10: Performance against Logic Model Impacts

High Impact

- Projects deliver a better end-user experience

Over the past ten years the hub Programme has delivered c. 200 CI projects in high quality facilities that will have substantially improved the end-user experience of pupils/ teachers, patients/ health professionals, and other service users/ delivery staff. Performance against this Programme objective is therefore rated as 'high'.

Rating evidenced by: the scale and volume of hub investment, together with consistent positive feedback from consultees.

High Impact

- High end-user staff satisfaction and retention

Based on the volume and quality of projects delivered, together with feedback from consultees, there is anecdotal evidence that the Programme will have substantially improved staff satisfaction and retention rates. The absence of post-occupation evaluation surveys (at scale across the Programme) does, however, preclude an objective or quantifiable assessment. Performance against this Programme objective is rated as 'high'.

Rating evidenced by: the scope and scale of project activity, together with consistent positive feedback from consultees.

Partial Impact

- Better integrated CI activity and service outcomes

While some projects have delivered integrated CI activities and service outcomes – notably the Health and Social Care facilities – and these projects themselves will have had a high impact, the total number of 'integrated' projects is not substantial. Performance against this objective at the Programme level is therefore rated as 'partial' but, with emerging opportunities being discussed, the Programme has potential to increase its impact against this objective in the future.

Rating evidenced by: the volume of hub projects that have (or will in the future) enable co-location of service activity.

High Impact

- Improved cost and time certainty achieved for public sector

There is data evidence that hub projects deliver both cost and time certainty for the public sector. There is also anecdotal feedback from consultees that surety on time and cost is greater with hub than with non-hub procured projects. Performance against this Programme objective is therefore rated as 'high'.

Rating evidenced by: ten years of consistent hub Programme performance data.

Partial Impact

- Value for money achieved in CI project activity

The hub Programme has always promoted value as opposed to lower construction cost as its key strength. While there is surety of time and cost, there is no evidence that procuring a project through the hub model will be cheaper or quicker than through alternative procurement options. There is a general perception that the cost and time of projects is likely to be broadly comparable (see, however, footnote #26 on optimism bias, and we also note the likely cost savings through the 11 bundled contracts). In the absence of a robust evidence base to compare performance and the perception of comparability, we have therefore rated performance against this Programme objective as 'partial' compared to what might have happened in the absence of the hub Programme.

Rating evidenced by: hub Programme performance data and consultee feedback. The ability to evidence against this metric is constrained due to lack of comparable data (at scope and scale) for non-hub projects.

Partial Impact

- Environmental gain - better understanding of the need to reduce carbon footprint

The environmental performance of the new CI facilities delivered through the hub Programme will have substantially lower carbon footprints than the stock of older properties that it has replaced – impact on the carbon performance of building operations will therefore be high, albeit offset by the actual construction activity. The project activity in West Territory around refurbishment and redevelopment of existing premises aligns with this impact. All hub projects are built to BREEAM²⁷ very good

²⁷ <https://www.breeam.com/>

standards as minimum with some, but limited, examples of projects that have achieved high performance ratings against sustainability categories (BREEAM Section 7). There was limited evidence provided by consultees on the impact that the hub Programme has had around embedding policy (including carbon) and we have therefore rated performance against this Programme objective as ‘partial’.

Rating evidenced by: hub Programme monitoring data and consultee feedback.

High Impact

- Productivity gain - uplift from people with improved skills and enhanced employability (construction community benefits)

As noted at Figure 11, the construction activity has delivered quantifiable productivity gains through improved skills and enhanced employability for construction industry Modern Apprentices (MA) – this is driven by the core Programme KPIs to deliver training across all hub projects. In addition both the volume and quality of projects delivered will have impacted on non-MA construction industry workers, delivering further enhanced productivity gains that cannot be quantified. We have therefore rated performance against this Programme objective as ‘high’.

Rating evidenced by: independent analysis of hub Programme impacts, as outlined at Figure 11.

Partial Impact

- Public sector gain - better reputation in market for efficient procurement

Anecdotal evidence was provided by consultees (from both public and private sectors) that working on projects through the hub Programme has helped to improve skills and knowledge, particularly in relation to the public sector as an ‘intelligent client’ at project delivery stages, especially where Participants undertake numerous projects using the hub model. There was, however, less consistency on whether the hub Programme has impacted on procurement efficiency, with consultees identifying a number of both positive and negative aspects. We have therefore rated performance against this Programme objective as ‘partial’, but note that performance is considered to vary across and within the five hub Territories.

Rating evidenced by: consultee feedback across both public and private sector.

Partial Impact

- Private sector gain - better understanding of market requirements and ability to resource accordingly for anticipated demand

The vast majority of consultees (again from both public and private sectors) noted that the private sector (consultants, contractors and (formerly) DBFM funders) will have gained a better understanding of market requirements (for both CI and other public sector project activity). There was also some, but not consistent, feedback that the TPBs are not entirely effective in enabling the hubCos (and, by association, their supply chains) to understand future pipelines and therefore to resource accordingly for anticipated demand. We have therefore rated performance against this Programme objective as 'partial'.

Rating evidenced by: consultee feedback.












hub Programme Quantifiable and Qualitative Impacts

The key constraint in appraising impacts for the hub Programme is the lack of a counterfactual position i.e. what would have happened in the absence of the hub Programme? The PMO has developed and maintained a database which collates the performance metrics of all projects that are delivered through the Programme. There is, however, no comparable evidence base (scope, scale and detail) against which hub Programme performance can be compared with other public sector CI project delivery. Anecdotally, the certainty metrics for the hub Programme fare particularly well in comparison with other public sector procurement outcomes.

It is clear that if there is a need for CI facilities (schools, health facilities, etc) then they need to be available, so there is no *absolute additionality*. It is also understood that in the absence of the hub Programme, an alternative route to deliver new CI facilities, where needed, would have been used – as evidenced by the delivery of non-hub CI projects. There are, however, grey areas on whether the same volume of CI facilities would have been achieved in the same period (*time and scale additionality*) and whether the same quality of CI facilities would have been delivered (*quality additionality*). All three of these forms of additionality are likely to have occurred, but there is insufficient data on non-hubCo project activity to allow us to appraise the scale of additionality of the hub Programme.

We have therefore presented our hub Programme impacts in the form of *net direct*, rather than the more conventional *net additional*, as presented in Figure 11.

Figure 11: hub Programme Impacts (Updated for 12/1/21 report edit)

	Investment	£2.2bn Invested	Over £2.2bn has been invested in community infrastructure facilities so far, with an additional £1.2bn in project value under construction or in development through to 2023.
	Economic Wealth	£1.2bn Net GVA	Over £1.2bn in net direct GVA has been generated in the Scottish Economy. By 2023 it is estimated a further £0.6bn will be generated by pipeline projects.
	Employment	18,400 Net annual PYEs	18,400 net person year equivalents (annual posts) have been generated in the construction sector with an additional 8,500 forecast to 2023 (net direct Scotland level).
	Salaries	£515m Net Salaries	£515m net direct salaries have been earned by workers in construction and supporting industries. A further £235m is expected from pipeline projects (net direct Scotland level).
	Wage Premiums	£39m Lifetime Earnings	Through up-skilling workers by supporting Modern Apprenticeships, the net total increase in lifetime earnings of construction MA achievers is £39m .*
	Productivity Gains	£96m Net GVA	The increased productivity associated with programme supported MA achievers is £96m* net GVA to the Scottish economy over those workers' lifetime.
	Pupils in New Schools	82,000 Pupils	It is estimated that by 2023, over 82,000 pupils will have been placed in new primary or secondary schools.
	Patients in GP Facilities	375,000 Patients	It is estimated that c. 375,000 patients will attend GP practices that operate from enhanced health facilities.
	Work placements	Over 6,200 Supported	6,238 work placements have been supported to date. 7 of 8 industry benchmark targets** have been hit across 8 project size bands.
	Training Plans	Over 700 Adopted	708 training plans have been adopted to date. 6 of 8 industry benchmark targets** have been hit across 8 project size bands.
	N/SVQ Gained	Over 850 Completed	872 N/SVQs have been completed to date. 4 of 8 industry benchmark targets** have been hit across 8 project size bands.

*Figures include MA achievers already and expected to be supported through projects that are complete, under construction and at development stage.

**Construction Industry benchmark targets based on National Skills Academy for Construction Guidance. Found [here](#).

In addition, SFT has published performance reports²⁸ for hub over the past ten years with data on monetised Programme benefits, demonstrating the advantages that hub has delivered – these reviews are externally validated. We have not sought to replicate the content of these in this report, but have taken cognisance of the content in considering the scope and scale of impact.

In addition to these quantifiable impacts, the hub Programme has also delivered a wide range of **additional impacts and benefits**, including:

- through the hub Programme, Participants (and in particular the smaller Local Authorities) have had access to construction and development practitioners within the hubCos, thereby providing a skilled resource that can be called on as needed – this was identified by consultees as a quick and efficient route to a skilled resource, rather than employing full service teams in-house across each individual Participant, and was also identified as having a beneficial impact on the project management skills of in-house teams;
- as noted consistently by consultees – including Participants operating in procurement and operational teams – the hub Programme has delivered strong benefits for the public sector in relation to the time and cost certainty of project delivery;
- through the approach adopted by the hub model, risk is thoroughly reviewed, defined and costed at the pre-contract stage and then reflected in the contract price; as such risk is thereafter transferred to the hubCo, giving further certainty on project cost for the public sector Participant;
- a number of hub projects, from across all Territories, were identified by consultees as delivering substantial service improvements for end-users, beyond just the standards expected from having a modern facility – e.g. innovative approach to school design aligned with modern teaching pedagogy, integrated health and social care improving access to services, and co-location for education and health facilities that have reduced operating costs for the public sector;

²⁸ [Publications - Scottish Futures Trust](#)

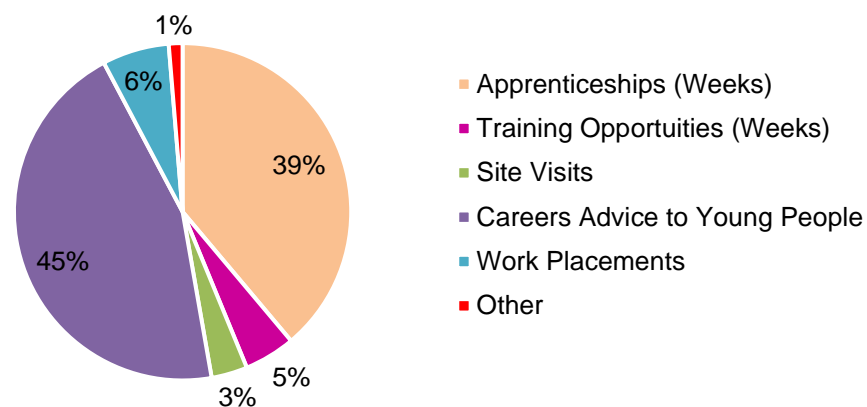
- the Programme has accelerated public sector access to construction expertise in CI by hubCos maintaining pre-qualified supply chains – as reported by both public and private sector consultees this can help to reduce the time, and therefore costs, normally incurred by Tier 1 contractors in preparing tender submissions;
- the cost of delivering smaller projects through ‘bundling’ of contracts was specifically noted by consultees as reducing total costs – in particular this relates to revenue funded projects, some of which were recognised as being of a size that, on their own and without the hub Programme context, might not have attracted a revenue funder resulting in the project not going ahead;
- the Programme approach has provided robust and reliable funding sources for revenue projects, via a regularly refreshed funding competition run by SFT, that stakeholders believe has substantially reduced the total cost for the public sector, both in relation to the actual cost of borrowing (the interest rate) but also in relation to the improved time resource input costs in securing overarching deals with two funders, rather than negotiating a series of individual agreements;
- the ability to deliver projects through revenue borrowing has brought CI project delivery forward earlier than would have been possible through capital budget settlements – the end users (pupils/ patients/ service users) have therefore had access to high quality CI premises earlier than would have been the case in the absence of the hub Programme;
- the DBFM projects have created a legacy of facilities with robust maintenance agreements during their functional lifespan, enabling services to be delivered efficiently and creating safe, well maintained and pleasant working environments for occupants; and
- through the operation of the Programme, a substantial volume of grant funding has been made available for charitable purposes via the Hub Community Foundation – this is a direct and additional benefit that would not have occurred in the absence of the Programme.

As noted earlier, hub was important in encouraging public and private sector partners to adopt Community Benefits through project delivery, with a wider impact on non-hub projects. A number of the key metrics presented in Figure 11, draw on the monitoring undertaken by the PMO.

From 2020 onwards, the hub programme began reporting against the SFT Social Value model, an “on-line solution that allows organisations to measure and manage the contribution that their organisation and supply chain makes to society”²⁹ drawing on the principles of the Procurement Reform (Scotland) Act 2014. The hub PMO developed a set of Themes, Outcomes and Measures (TOMs) in conjunction with an external partner. It is anticipated that the use of this model through the hub Programme will help to embed this approach across the wider public and private construction (and procurement) sectors – as per the impact of the Programme in helping to ‘normalise’ the Community Benefits approach.

The hub Social Value model is now the adopted method for measuring the wider impact of the Programme. The total social value generated by hub activities equates to £15.5m – Figure 12 presents the main sources.

Figure 12: hub Social Value by Source



Note: Other includes: Local Jobs Advertised, Unpaid Student Work Placements, Business Advice to Supply Chain, and Meet the Buyer Events.

Good Practice Case Studies

As further evidence of the wider impact of the hub Programme, a set of good practice case studies – one from each Territory – has been prepared to demonstrate some of the non-project activities of the hubCos, and their approach to social value and community benefits.

²⁹ <https://socialvalueportal.com/>

hub South East: is leading on research around **Innovative Design for Care Homes** by developing expertise in alternative approaches to care and how facilities can be designed against a changing care landscape. Drawing on research and site visits to care villages in the Netherlands, the hubCo will develop new design concepts based on joint working between health and social care. The hubCo drew on senior level relationships within the Integrated Joint Board to accelerate change and gain support for a new care model village, based on modular style residential units of six beds per apartment. The care model is being put into place in the Scottish Borders with two test bed sites in the early stages of development.

There is interest across the other hub Territories for hub South East to share the learning, with potential to replicate this innovative approach across Scotland.

This project has strong direct alignment with the aims and objectives of the hub Programme – in particular three of the aims (improving the efficiency of delivery of community based facilities, delivering economies of scale through shared facilities, and making the best use of public resources). The learning from the project has potential to impact on the fourth aim (providing continuous improvement in both cost and quality in public procurement). The project is aligned with Programme objectives: (a), (b), (c iii), (c iv), (e) and (f).

hub North: The Northern Infrastructure Commission (NIC) reflects the recommendations of the Infrastructure Commission for Scotland³⁰ in a North context, and is aligned with hub North's biannual Territory Delivery Plan. Looking at the capital expenditure plans for infrastructure, £3bn of potential projects were identified with an opportunity for a large-scale joint procurement vehicle to maximise economies of scale from bulk procurement. The NIC report, due Spring 2021, will draw on the experience and expertise gained from working within the hub model and further embed the concept of strategic planning at the regional level. The NIC will also champion shared objectives with the hub programme: community benefits and wealth building, supporting local SME supply chain and achieving cost efficiency.

The idea of a Commission with an outlook to future regional capital expenditure programmes has been well received across other hub territories, and there is therefore an opportunity to replicate this innovative approach across the hub Programme.

³⁰ <https://infrastructurecommission.scot/>

With a strong focus around strategic planning for procurement and the efficient use of CI facilities, it is unsurprising that the NIC has good alignment with all four of the hub Programme aims (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). The project is aligned alignment with Programme objectives: (a), (b), (c i – c vi), (d) and (f).

hub East Central: established the **Enabling Funds** programme, reinvesting hubCo financial surpluses in early stage feasibility research for strategic planning. The Fund has invested £3.1m and delivered over 100 studies that have helped the public sector bodies in the Territory make 'better' decisions. It has supported studies that have redesigned facilities resulting in direct cost savings, supported wider collaborative pieces of work (e.g. establishing design parameters to make a typical school a low carbon facility), and joined up services in user-friendly ways (e.g. a multiagency service hub combining police and social work).

The Fund was consistently referenced by consultees in the hub East Central Territory as a high value use of surplus funds that has had a direct beneficial impact on hub Participants and their project activity across the Territory.

With a focus on helping Participants to gain better insights and thereby improve decision making, this project is aligned with all four of the Programme aims (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). The project is aligned with Programme objectives: (a), (b), (c i), (c iv), and (e).

hub West: The Helping Hands Charity came out of hub West's goal to achieve better outcomes and support the community in an impactful way. Through this work, a culture of giving and going the extra mile for the community has been embedded in hub West. Two major projects that have been supported are the Christmas Appeal in partnership with PEEK (winter clothes for children in need) and the Springburn Park Men's Shed (workshop fit-out for men experiencing loneliness or depression). The initiative adopts a broader approach to health and well-being with benefits going beyond "traditional" community benefits delivered by construction projects, with better alignment against the Social Value approach.

While charitable work is supported across the Programme through the hub Charitable Foundation, the approach adopted by hub West demonstrates the benefits that can be achieved through an approach that makes a direct and real difference to small local charities.

This project does not have strong *direct* alignment with the Programme aims, but in using hub resource to support charitable work in community-based organisations there is an *indirect* contribution against two of the aims (improving the efficiency of delivery of community based facilities, and making the best use of public resources). The project is aligned with Programme objectives: (a), (b), (c vi), (e) and (f).

hub South West: established the **Building for Growth** business development programme targeting ambitious SMEs in construction and related sectors. Since its launch in 2014, 11 courses have supported 134 delegates from 101 SMEs through an intensive construction-focused course over eight half days. A sub-regional spinoff programme, Build Lanarkshire, was launched in 2018, supporting a further 26 delegates in 24 SMEs, and an Ayrshire spinoff programme is being planned. Support is leveraged from the private sector with Tier 1 contractors providing up to £50,000 per annum and/ or staff resource. It is seen as a marketing opportunity as much as a business development opportunity, with SMEs encouraged to “pitch” their business to the Tier 1 contractors and public sector Participants.

The Programme was consistently referenced by consultees in the hub South West Territory as delivering high value impacts for delegates, whilst also for helping to grow the local SME base and expand the construction supply chain. There is anecdotal feedback that Tier 1 contractors might welcome this approach being adopted in other hub Territories.

By using hub resources to support and grow the construction industry supply chain for the future, this project is aligned with two of the Programme’s aims (making the best use of public resources, and providing continuous improvement in both cost and quality in public procurement). The suppliers that graduate from the Building for Growth Programme will have a better opportunity of securing work in the future – their understanding of the hub Programme will help to the Participants to deliver projects that also address the other aims (improving the efficiency of delivery of community based facilities, and delivering economies of scale through shared facilities). The project is aligned with Programme objectives: (a), (c i), (c ii), (c vi), (c vii), (d) and (f).

7. Conclusions and Recommendations

This final chapter draws together our overall thoughts on the performance of the hub Programme and presents a series of recommendations for the future.

Considering how it has performed against its original objectives overall, the hub Programme has been very successful.

It has performed well against the anticipated impacts presented in the Logic Model (high or partial impact) and has delivered a wide range of impacts and benefits for the direct stakeholders in the Programme (both public and private sector) and also for the indirect stakeholders (the end users of the CI projects).

There is strong support for the Programme to continue into the future.

Conclusions

Our conclusions on performance are set against the three study objectives.

Objective 1: Achievement of the original hub outcomes and objectives (as per the standard form Territory Partnering Agreement³¹) set within a changing policy context over the past ten years:

As tested through the logic model (Figure 2), the Programme has largely delivered against its objectives, particularly in relation to efficiency and delivery of quality CI projects.

Over the past ten years the hub Programme has delivered £2.2bn capital investment in c. 200 completed CI projects with a further £0.57bn under construction (40 projects), and activity spread across all five hub Territories. This is substantially ahead of the investment profile estimated at the start of the Programme. This investment has provided high quality CI projects that have substantially improved the setting within which services are delivered, allowed some services to be brought together in shared facilities, and delivered a wide range of community benefits/ social value outcomes for local communities.

³¹ The study brief requested objectives from the original 2006 Business Case – this change was agreed with SFT at the outset of the study to the more recent 2010 TPA.

The Programme has, however, been less successful in meeting objectives around sharing learning and collaboration/ partnership working between participants.

The first of these points around shared learning will need a central focus, perhaps driven by the PMO and NhPB, to ensure transferability between each of the five Territories (see Recommendations).

The second point was consistently highlighted by consultees as being notoriously difficult to achieve due the differences in working arrangements between public sector organisations – largely funding settlements and approval processes, but also investment priorities – which do not easily align, particularly across different types of public sector bodies (i.e. between a local authority and a health board). While the aspiration to achieve greater levels of collaboration across public sector bodies was valid for the hub Programme in the past, and will remain so in the future, in reality it will always be very difficult to deliver at scale.

There is interest amongst Participants in greater collaboration and partnership, but it is recognised that this needs to be led from within organisations by the senior management team. The approach adopted by the hub North TPB on the Northern Infrastructure Commission will help to overcome some of the difficulties, and the applicability of this approach for other Territories is being considered.

In general, the objectives of the Programme should be reviewed and presented in SMART³² format – the total number should be reduced in order to give clarity on the key purpose, and there is a need to incorporate current policy aims (e.g. digital service delivery, carbon agenda, place principle, etc).

In particular, there is a need to ensure that all objectives are deliverable and measurable. For example, some of the current objectives can never be achieved by the hub Programme – 3c “delivers demonstrably better value for money than current procurement arrangements” – due to the lack of evidence for performance of non-hub projects against which the hub Programme can be compared.

³² Specific, Measurable, Achievable, Realistic and Timebound.

Objective 2: Assessment of the socio-economic impact of the hub Programme – quantitative and qualitative analysis of performance and impact:

As presented at Chapter 6, the hub Programme has delivered a wide range of direct socio-economic impacts and wider qualitative benefits.

The 2006 Business Case for the hub Programme stated that value for money would be achieved (breakeven point) if £1bn capital investment (real terms price at £50m pa) was delivered over a 20-year period. In its first ten years the hub Programme has already delivered in excess of £2.2bn, with a further £ 1.2bn project value on site with construction or at the project development stage.

Based on the data available, we would confirm that the hub Programme has delivered value for money when set against the investment outlay by the public sector, substantially exceeding the investment profile needed for breakeven.

The Programme has also delivered a wide range of spill-over and non-quantifiable impacts. As reported by both the public sector Participants and the private sector contractors, it played a key role in ‘normalising’ Community Benefits through construction activity in Scotland. In particular, the work of hub South West through its Building for Growth Programme was consistently raised (and praised) by consultees in building skills and knowledge within the construction industry SME supply chain. There is thought to be interest amongst Tier 1 contractors operating in other Territories to see this work replicated across the full hub Programme.

The shift toward measuring Social Value is also an important step and has potential to align with the Scottish Government’s emerging agenda around a wellbeing economy³³.

The hub PMO should reiterate the purpose of the data gathered and clarify how it can be used to inform and shape project activity, as well as being available for Programme audit/ monitoring purposes.

Objective 3: Capturing learning from past performance and lessons for improvement in future delivery of community infrastructure:

There are examples of good practice – in both project delivery and strategic approaches – across each of the five hub Territories. Through the TPBs and the TPDs, there are also opportunities to share good practice with Participants within

³³ <https://www.gov.scot/groups/wellbeing-economy-governments-wego/>

each of the territories, for example the two localised Building for Growth Programmes developed by hub South West. Moreover, the hub Programme has been used throughout as a test bed, or launch pad, for numerous SFT initiatives e.g. fair payment, fair work, BIM, Whole Life Project Appraisal, Construction Quality Initiative, the Construction Technology Navigator, and the Baseline Skillset Toolkit.

There is a perception amongst Participants of a gap in learning about experiences in other Territories (hubCo CEOs/ Chairs have regular contact). In practice this should be addressed through the NhPB (attended by hubCo Chairs and TPB Chairs, amongst others) and regular one-to-one engagement by TPDs and the National Programme Director. In reality, however, there is likely to be an element of 'information overload' with most public sector officers receiving regular updates (often via a number of individual daily e-bulletins) on a wide range of topics from a wide range of sources.

Messaging on hub good practice learning is also adversely impacted through the different procurement arrangements within each of the Participant bodies. This ranges from some that have central teams with a good understanding of the hub Programme and ability to inform projects from an early stage, through to others that have individual procurement teams within departments and/ or procurement being considered as a late stage item in the project development process after the detailed design work has been completed.

In the absence of a formal hub route to connect with the many individual procurement and project officers operating across public sector bodies, officers tend to fall back on other discussion forums³⁴. It was reported by some public sector consultees that these informal routes tend to focus on discussions of what has gone wrong with hub projects, rather than sharing lessons on how to improve future project activity.

Through the consultation discussions there was considerable interest from almost all consultees (Participants, hubCos, contractors and wider stakeholders) in learning about what has worked well, and understanding how lessons from past performance could be replicated (albeit tailored for the specifics of each individual hub Territory). This included, but was not restricted to, the work of hub South East in relation to the design of care facilities.

³⁴ For local authorities these would include SOLACE, SLAED, SHOPS and HOPS. For Health Boards this would include the NHS Property Advisory Group.

Recommendations

Specifically addressing the third objective, this section outlines a series of key learning points on how the hub Programme could be adapted to improve future performance and project delivery. It is important to note that there is strong support for the hub Programme to continue and that consultees provided feedback on the ways in which they think its impact can be enhanced in the future.

To a large extent the operation of the hub Programme is bound by the terms of the five individual OJEU notices (and TPAs) which enabled procurement of the hubCos as project investment and delivery vehicles. It is therefore important that any future changes are considered carefully – not just for their applicability, but also for any impact on legality – and do not adversely affect future operations.

The following recommendations, while they remain valid in light of the evaluation work that we have undertaken, may not all be deliverable in practice. Drawing on our considerable expertise in evaluating public sector programmes, and for completeness of reporting, we have presented all of the substantial recommendations that arose through our research work.

We do, however, acknowledge that external research evaluators will only gain a limited understanding of the technical and legal implications of making changes to such a large and complex model such as the hub Programme. The following recommendations should therefore be considered in that context.

1. First and foremost, there is clear and consistent feedback from the wide range of consultees that **the hub Programme should continue**, and continue as a national Programme rather than a series of hubCos operating independently. Of the almost 100 consultation responses only a small number (less than five) see only limited value in the Programme, and the vast majority are supportive and do not want to see it closed and/ or replaced³⁵. There is, however, a strong desire to see the Programme evolve as outlined in the remaining recommendations. There is a strong sense amongst consultees that, where possible, the hub Programme should be amended and improved as a key route for delivery of CI facilities, and to continue with the difficult task of supporting Participants to achieve greater levels of joint working through partnership and collaboration (both public-to-public and public-to-private).

³⁵ Issues around the time and financial/ resource cost in establishing a new vehicle and getting it working effectively were the prime drivers on this point.

While a number of consultees reported that they have made limited use of the hub Programme for project delivery themselves (except where mandated for health and school facilities), they recognised that there are important benefits for other Participants, particularly those that do not have large in-house technical and/ or delivery resource.

It is important to note that while Participants want to see the hub Programme continue and want to have the option of using hubCos for project delivery, there would be strong opposition if they were mandated to use them for particular activities. Participants want to decide on the best procurement route, based on the specific needs of the project itself but also based on the recent past performance of the projects that their Territory hubCo has delivered. It should be noted that in the absence of a return to the use of the hub DBFM procurement option, mandating the use of hub is highly unlikely.

Our remaining recommendations are grouped under thematic headings.

Governance Arrangements

2. Refresh the Terms of Reference of NhPB to re-set its purpose. Across the wide range of consultees, there was limited understanding of the purpose and role of this group – whether assurance/ governance or strategic. Whether there was an understanding of the role or not, there is a desire to see this group operate in a strategic capacity, particularly around raising the profile and benefits of the Programme both within those that are involved, but also with external bodies. A number of subsequent recommendations relate back to the NhPB role.
3. The hub Programme feels somewhat insular – those that are involved know about it but those that are not involved are either unaware or have a limited understanding (sometime even misunderstanding). This is a particular issue within the Participant organisations that is likely to impact on hubCo pipelines but it also affects the external perception of the Programme. There is an opportunity to enhance partnerships at the national level with some key external stakeholders to raise the profile, but also to gain wider market insight. Given its role in working with local government across Scotland, the Improvement Service would be a key body, but others might include professional networks like RTPI, RIAS, RICS, etc.

4. Refresh the role of the TPBs, which were originally intended as a key mechanism for partnership and collaboration by bringing senior executives together from across all of the Participants. There is an opportunity to split the TPBs into strategic and operational functions (as per North and, to a lesser extent, East Central Territories), thereby improving attendance and reducing delegation.

While hubCo attendance at these meetings is essential to give them an understanding of the potential pipeline of projects and the opportunities for partnership/ collaboration, consideration should be given to the merits, and demerits, of Participants having separate discussions around wider strategic issues that are perhaps at too early a stage to be open for hubCo discussion. There is some unwillingness to raise potential opportunities at the TPBs based on a perception that the hubCo will always aim to subsume projects into their pipeline.

At the Territory level there is also an opportunity for the strategic TPB function to strengthen links with the strategic planning system and with regional growth deal bodies.

5. Review and confirm the role of the TPDs – it is understood by most consultees that this can be a difficult role (both policing and promotion), but a general sense that there is much more that could be achieved in terms of encouraging partnership/ collaboration and also in sharing knowledge within and between hub Territories.
6. There is a limited sense of ownership (of Programme and hubCos) from the public sector Participants who do not have much recognition of their 30% stake in the hubCos. The marked difference is in the East Central Territory where the original public sector stake in set-up costs (£300,000) has been used and topped up through project profits to create an Enabling Fund totalling £3.1m. The source of this Fund is both understood and valued by Participants who have welcomed the ability to draw down research funding for early stage project feasibility studies and wider strategic reviews, with over 100 studies completed to date.

While the scope and scale of the East Central Enabling Fund is not replicable across other Territories to the same degree, its presence has helped to garner a better sense of Participant ownership than is evident elsewhere. The

replicability of this approach, or an alternative, should be explored to enhance partnerships between the hubCos and their public sector Participants, and help to align hubCo activity with the delivery of benefits through the public sector's ownership stake in the JV structures.

Operational Arrangements

7. There is an almost unanimous view (certainly amongst those involved in project activity) that the hubCo project development arrangements are too complex and often overly bureaucratic – these processes are set at the national level and are therefore an issue to be considered at the hub Programme level. There is general acceptance that hubCos can deliver projects quicker once financial close is achieved, but the process to reach financial close is often described as 'tortuous' and was cited by some Participants as one of the reasons why some projects are delivered through other procurement mechanisms. The result is that, from start to finish, hubCo projects are not seen as being any quicker (or slower) than other procurement routes, but that they often require greater Participant in-house resource at the early stage in project development i.e. at a time before there is full approval to deliver the project.

There is an opportunity to review the project development process and reduce the amount of paperwork – especially for smaller low value projects – but to retain the key benefits that Participants acknowledge and value (e.g. quicker on site delivery and surety of time/ cost for delivery). The benefits of early engagement between the Participant and the contractor, working alongside the design team is of particular value to both public and private sector and should be retained.

8. Collaborative working can be very difficult within an individual organisation but is compounded when different organisations want to work in partnership, and even more so across different strands of the public sector family e.g. local authorities and health boards. While there are some examples of successful project delivery (shared facilities and bundling contracts) these are somewhat limited.

If collaboration and partnership working between Participants remains as an objective of the hub Programme (which would align with national policy aims around regional strategies and delivery models) there is a need to identify and address the key constraints to progress, and thereby support Participants at

local levels to achieve. The Northern Infrastructure Commission, led through the work of the TPB, appears to be one possible route – this should be explored across other Territories.

9. A considerable amount of time and effort is incurred in gathering performance data to monitor individual projects and therefore report on performance at the Programme level. While this aspect was only raised by a small number of consultees, it is clear from the documentation provided that the volume of data collected is substantial.

When considered against the efficiency objectives of the Programme it would seem appropriate to review the type, volume and frequency of data gathering, with a refreshed set of Key Performance Indicators aligned to a refreshed set of SMART objectives, developed through the NhPB.

10. The project benchmark metrics (including costs and fees) were set at hub Programme level in 2010 and, as reported by consultees, have not been updated since. The fact that contractors and professional services suppliers are still willing to work to these metrics could be seen as a positive outcome. There are, however, some major downsides, most notably Participants report that it has become increasingly difficult to secure input from senior and experienced development practitioners from the private sector with tasks frequently being undertaken by junior staff.

If the perception is *correct* that hubCos and Participants cannot deviate from these agreed benchmarks there is a need to review and revise to ensure that the hubCo supplier base is willing to undertake hubCo projects, and that projects continue to meet the aspiration for delivery of high quality CI projects.

If the perception is *incorrect*, there is an opportunity to redress a misunderstanding that is held by Participants.

11. There is a need to review the supply chains across each of the hubCos to ensure that there is effective competition at all tiers. There are some concerns around the potential for nepotism where the hubCo private sector partner has an affiliated Tier 1 contractor operating within that Territory. To reinforce the sense of a national Programme there should be consistency in practice across all Territories, where possible, with regard to procurement of project design and delivery teams. This does, however, need to be considered carefully to ensure an appropriate number and range of suppliers aligned with the potential project

pipeline. Expanding the supply chain could create competition and choice for the public sector Participants, however, balancing the supply chain with the projected pipeline will maintain the commitment of contractor and consultants.

12. With the ending of the ten year period during which NHS Boards are mandated to use hubCos as the first option for delivery of qualifying NHS projects (between 2020 and 2022), and also the use of hubCos as the sole delivery route for revenue funded projects through the Schools for the Future Programme, there has been a decline in the volume of projects and therefore the value of hubCo turnover. Given the desire from consultees across all the stakeholder groups to see the Programme continue, there is a need for a pipeline of projects to be established that will ensure the future of the partnership. Two of the hubCos (West and South West) are building up their activity in the social housing sector – these hubCos have a broader definition of CI than others, and both are able to add new Participants.

Some of the consultees requested that a review at the national Programme level should be undertaken to identify whether, and if so how, hubCos can be supported to deliver a wider range of projects for a wider range of Participants (for example social housing landlords). However, with procurement regulations preventing a change to the defined scope of works/ projects that hub can deliver and (with the exception of hub West and hub South West) a limitation that Participants cannot be added, this is not a deliverable matter within the hub Programme.

While hubCos could continue to operate at a lower level of activity, it is recognised that they need to achieve a base level of turnover and profit to support a sufficient and experienced staff complement. It is also acknowledged by consultees that hubCos undertake smaller projects that are less profitable in order to maintain the support of their public sector Participant base – this is seen as a real benefit by some Participants and a positive characteristic of the long-term hub Programme approach.

If the hub model is to continue and thrive in the absence of mandated or centrally funded projects there is a need for Participants and hubCos to collaborate to establish an effective pipeline of projects. This is an issue for consideration by the PMO and NhPB to ensure a viable national hub Programme.

The hubCos should be encouraged towards a change in emphasis from new build projects to undertake refurbishment and repurposing of CI facilities (in line with the recently published Infrastructure Investment Plan), collaborating with Participants' in-house design teams, or providing FM services for buildings that Participants procure via hub or other delivery routes.

Strategic Issues

13. The hub Programme has performed well against the efficient government agenda but is perceived to have had limited impact against other policy aims³⁶ – that is not to say that Participants and hubCos have not themselves adopted new policy priorities as they emerged over the past ten years, but that there is no consistency in this across the Programme.

There is an opportunity for the PMO, guided by the NhPB, to identify what current policy priorities should be aligned with the Programme and work with hubCos, perhaps through the TPDs, to embed these into project activity. This might include the low carbon agenda (including re-use/ re-purpose of premises), the place principle (e.g. shared CI facilities in accessible community settings), digital services (e.g. tele-health) and regional delivery models (e.g. alignment with strategic planning).

14. The hub Programme PMO should continue to strengthen internal links with other work-streams in SFT to ensure that emerging policy and good practice learning is continuously distilled across the Programme going forward.

As an organisation SFT is leading research and good practice in a number of ways that could inform future CI activity – housing/ education/ digital/ health care, as well as infrastructure delivery and investment models. There would be value in creating stronger links with other SFT teams to inform CI project activity at the hubCo level across the hub Programme.

15. At the national level, there should be a shift in promotion of the hub Programme at two levels – internal with hub Participants and external with others.

Internally within the Programme, promotion is largely undertaken by the hubCos around project activity – often relating to building completions and subsequent awards. While this does help to raise the profile of hubCos it is not always

³⁶ For example the Town Centre First Principle and inclusive economic growth in the medium term; Place Principle, digital/ tele health services and circular economy in the near term.

welcomed by the Participant organisations that have funded the project and will operate the facility. There should be a shift away from project promotion and toward hubCo promotion – in particular identifying a clear and robust USP based on the real benefits to Participants.

Externally there is a need to raise the profile of the hub Programme – the rationale, benefits and opportunities – thereby helping to ensure that hubCos are retained as delivery vehicles, in line with the wishes of the vast majority of public sector Participants that were consulted. An outward looking view, including working with other organisations as per recommendation # 3, would help to amplify the Programme and build a more informed understanding of its achievements.

Overall, there is considerable support to retain the hub Programme. While there are some aspects that could be changed to improve future performance, there is overwhelmingly support for the hub Programme to continue.

Based on the full analysis undertaken for this impact evaluation study, the recommendations outlined are designed to improve future performance and impact.

The hub Programme has delivered a substantial volume of new investment in CI projects across the whole of Scotland over the past ten years. It is a complex Programme operating at the national level, but with all project activity happening at the Territory level. To have maintained solid support in the Programme after ten years of operation is a major achievement, and demonstrates that Stakeholders have high confidence in hub for the future.