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1. Executive Summary

hub North Scotland has a mission to develop a brand and reputation as the provider of first choice for its participant members. The secondary mission is to be the exemplar hub in Scotland.

We will achieve these objectives through supporting the improvement of facilities and services within the North territory that represent quality, true partnership and optimum value for money.

The hub model is an alternative route to public procurement where our public sector partners (the participants) are shareholders in the business. In this new way of doing business we will more effectively deliver the objectives and aims of the participants, as set out in the Territory Partnering Agreement (TPA), as part of a long-term partnership.

This Business Plan will set out how hub North Scotland will deliver its objectives during 2015 and has been produced following a challenging period for the business. Following the annual performance report in April, a comprehensive business review was carried out in August. This process took a root and branch approach to assessing the strengths and weaknesses of hub North Scotland and examined past and current projects to shape the strategy of the organisation moving forward.

We formulated an action plan recognising the necessary changes required to improve performance and strengthen the partnership with our clients and our supply chain. Concerns at board level were addressed through a thorough consideration of best practice across the business.

In readiness for 2015 we have also increased and strengthened the executive team and have moved to a different model of project director resourcing, with full-time secondments into the business in our offices in Aberdeen, Inverness and a new base in Lochgilphead.

In 2014 our communication plan resulted in a significant range of engagement from project level to government level.

We recognise that this function is a huge challenge for the business, given the speed of growth and the geography of our territory. In 2015, having strengthened the resource, we will be equipped to meet the annual targets as part of the overarching business plan.

In 2014 we also successfully completed a supply chain review and refresh with 12 new entrants at Tier 1 level as well as growing our Tier 2 entrants with more than 400 companies now registered.

In 2014, our turnover increased by 65% to £58million, we made a healthy profit giving the business a positive balance sheet for 2015.

We will deliver within our three core services, as follows:

1 Strategic Partnering Services – *Supporting our clients*

In 2014 we worked with 10 of our clients to support a variety of works. These included: asset management reviews; condition surveys; strategic master planning and option appraisals.

In 2015 we intend to continue this opportunity to support all our clients through sharing the positive benefits already demonstrated. We will appoint a dedicated manager to oversee this work and expect this to be self-funded during 2016.

2 Ongoing Partnering Services – *Understanding the needs of our clients*

In 2014 we worked with seven of our clients, engaging at all levels of the participant organisations to gain a full understanding of where hub can support participants to design and deliver efficient and sustainable community services.

1. Executive Summary

In 2015 we intend to grow and strengthen these relationships and work with participants to focus on their priorities, ensuring value for money from the investment of public funds.

3 Project Development Partnering Services – *Delivering new facilities for our clients*

In 2014 we handed over the first major design and build capital Police Scotland project, the Custodial Justice Unit at Kittybrewster in Aberdeen, as well as the first 'bundled' revenue project in Scotland across two NHS boards with the creation of three health care facilities in Woodside, Forres and Tain.

We reached financial and contract close on five school projects: the Alford Campus; Brimmond School; Noss Primary; Inverness Royal Academy and Wick Campus. We also accepted new project requests for a variety of different projects across the territory: Campbeltown Academy; Oban High School; Kirn Primary; Lochgilphead Mental Health Unit; Inverurie Health Centre; Aberdeen Complex Needs School and St Brendan's Health and Social Care Centre on the island of Barra.

In 2015 we will handover Brimmond School, Noss Primary and Alford Campus. We will also reach financial close on Aberdeen South of the City Campus, Aberdeen Complex Needs School, Elgin High School, Shetland Anderson High School, Campbeltown Academy, Oban High School and Kirn Primary.

2. Business

2.1 History

hub North Scotland has been operational since March 2011. During this period, we have delivered on many of the key objectives and aims of the participants contained in the Territory Delivery Plan (TDP), by establishing the company with an executive in place and becoming fully operational.

We have now completed the first Design and Build (D&B) project for hub North Scotland, the first Design, Build, Finance & Maintain (DBFM) project in Scotland and the first 'bundled' DBFM across two NHS Boards in Scotland.

In 2014 the business focused on project delivery with five financial closes and four building handovers. We also had two changes to the shareholding of the business. In January, Sweett Investment Services sold part of their shareholding to Equitix and a new entity Sweett Equitix became the 50% shareholder of ACP. In July, Galliford Try bought Miller Corporate Holdings and as a result became 50% shareholder of ACP. Galliford Try has shareholding in hub South East and hub South West.

In 2015 the business will continue to focus on project delivery, with a strengthening of focus on the potential new pipeline, following the announcement around further government spending on the New Project Delivery programme.

In 2014 we held our annual general meeting during May in Aberdeen and in 2015 we intend to hold it during May in Inverness.

2.2 Ownership

See Appendix 2 for details of the business shareholding

2.3 The Board

See Appendix 2 for details of the hub North Scotland board of directors

2.4 Governance

See Appendix 2 for details of the structure

3. Product & Service

The business product and services are: Strategic Partnering Services; Ongoing Partnering Services and Project Development Partnering Services.

Strategic Partnering Services: Following a formal request from a participant, we will provide services such as strategic estate planning or service planning. Any external costs will be 'passed through' without a fee being sought unless there is a specific requirement for us to manage the process on behalf of the participant. In that instance, an agreed capped fee will be applied.

Ongoing Partnering Services: We will work in partnership with the participant to lead and drive the project through the Pre-stage 1 phase in advance of reaching a New Project Request (NPR). Understanding the needs and requirements of the participant and their stakeholders is key to allow us to add creative and innovative value at this stage. Equivalent to RIBA Stage A, the supply chain is working at risk during this period.

Project Development Partnering Services: We will assist the participant in the preparation, review and acceptance of the NPR, setting the affordability cap, establishing the brief, agreeing the outline programme in order to complete the preparatory work in advance of Stage 1.

Through Stage 1, equivalent to RIBA Stage C, the aim is to complete to an Outline Business Case (OBC) reconfirming and agreeing the affordability cap, comparator projects and pricing cap adjustments. By this stage the brief and preferred options are developed, options appraised and an initial value for money (VfM) assessment carried out. The Stage 1 submission will be issued to the hub North Scotland board for approval before being formally submitted to the participant. The process of procuring the main contractor and Facilities Management (FM) contractor takes place during this stage.

Through Stage 2, equivalent to RIBA Stage E, the aim is to guide and lead the process complete to a Full Business Case (FBC),

updating Stage 1 information/criteria and developing the design to achieve detailed planning consent. The process of procuring the Tier 2 contractors and senior funder takes place, as well as confirmation of the fully developed VfM assessment.

The completion of the Stage 2 process leads into contract finalisation and financial close, equivalent to RIBA Stage G, where conditions and contract documentation are completed and residual risks resolved, prior to closing the project and commencing operational activity on site.

The key milestone of financial close allows the focus to shift very clearly on to the delivery of our participant's facility. The key objectives for our management team at this stage is to meet the agreed programme, the agreed VfM and the agreed quality - while also maintaining the highest standards of health and safety on site and delivering to the agreed KPI targets.

The construction period, equivalent to RIBA Stage K, takes the project through to practical completion and handover of the completed facility to our participant, in readiness for service.

Dependent on the type of procurement process chosen by our participant, our service either continues over a maintenance period (D&B) or continues within the FM service contract over a 25-year period (DBFM).

These services have proven to be robust and capable of delivering the value which it is our mission to achieve and so in business year 2015 we shall not seek to modify these core services. We will continue to review this service provision to ensure that our business serves our market.

3. Product and Service

3.1 Supply Chain

Key supply chain members are at the heart of delivering innovative, creative, whole life, VfM solutions. In 2015 we shall continue to focus on making the best use of skills and experience of local business whenever possible, having committed to targets set out in our Key Performance Indicators (KPIs) for job opportunities, apprenticeships and training.

See Appendix 3 – Key Performance Indicators (KPIs)

Our supply chain strategy ensures that local and regional construction-related businesses will be involved in delivering the programme across the territory, with work, expertise and economic benefits remaining in the local communities:

- We have developed a two tier supply chain. Tier 1 members appointed at the establishment of the business have a national coverage with advantages such as cost efficiencies (e.g. buying power) and the ability to understand and accept risk profiles which smaller local companies might not be able to accept. National coverage is not, however, a pre-condition to membership of the supply chain as a Tier 1 member.
 - Tier 2 supply chain members appointed at the establishment of the business involve local companies throughout the North territory, who although unable to provide the advantages of Tier 1 supply chain members can provide local companies with opportunities and the community benefits such as apprenticeships, graduate placements, work experience and job taster initiatives.
 - Our supply chain is not fixed and although it will be formally reviewed on a three year cycle, there is opportunity for organisations to pre-qualify, defined in our Method Statements.
 - Each project will be competitively tendered in respect of contractors, FM service providers, designers and consultants across both Tier 1 and Tier 2
- We select the main contractor during the Stage 1 process ensuring their expertise and input can be incorporated, and that they will take the risk on the project costs until contract award/financial close of each project.

In 2015 we will continue to appoint main contractors from our Tier 1 supply chain by open-book competitive tendering in accordance with our method statements.

We will ensure that the Tier 2 supply chain is actively engaged in the delivery of new projects with each work package being subject to competitive open-book tendering. Furthermore, materials, resource and labour will not be sourced from outside the Territory unless considered beneficial, better value for money or subject to procurement regulations.

In 2014 we have demonstrated some tangible successes across our programme of work: £240m in development, £90m in construction and £45m in operation. Around £72m of contracts were placed with small and medium size enterprises and a total of 87% of £s in the ground was achieved. hub North Scotland projects have been supporting 120 jobs as well as taking on 15 graduates, six apprentices and six work experience placements.

In 2014 we improved the reporting presentation of KPIs to help all stakeholders understand better the performance results, not only for individual projects but also the overall business result. In 2015 we will continue to present our results in the most transparent and meaningful way, with monthly project and programme dashboards as well as project specific case studies to provide the facts and figures to allow participants to make informed decisions when benchmarking and choosing their next procurement.

In 2014 we carried out our first supply chain review and refresh. This process was led by hub North Scotland and a working group including participant representation nominated by the Territory Partnering Board (TPB).

See Appendix 4 - Tier 1 Supply Chain for 2015

4. Clients

4.1 Market

Investment in local facilities remains at the core of our business with well designed, sustainable facilities, supporting people's physical and mental wellbeing while contributing to the sustainable economic growth. The quality of public services and the way in which they are delivered has a major impact on the society of the territory and the overall performance of its economy.

We operate in the public sector market to deliver building facilities to our specific customers, the 16 participants. Within each grouping of our customers we have differing potential for market share.

We have a 10-year exclusivity, subject to performance, on primary and community based healthcare projects over £750k for the five NHS authorities in the territory.

Our partners in local authorities and emergency services have a number of procurement routes available to them and we strive to become the procurement route of choice for all organisations.

The key drivers for hub North Scotland and our customers are twofold:

- Funding – with capital restricted in the current economic climate new innovative approaches need to be considered. hubco believe we can offer this through are working in partnership with Scottish Futures Trust (SFT) to seek the best deal from the money markets. Our DBFM product where projects can be bundled together resulting in delivery of facilities otherwise shelved, both efficiently and timeously, is one way we have shown success.

- Value for Money (VfM) – demonstrating that at project level this is defined as the optimum available combination of whole – life costs and quality (fitness for purpose) of the facility and service to meet the users requirements. Hub North Scotland needs to develop and deliver both a quantitative and qualitative assessment process based on the fundamentals of each project concerning their local environment, economy, efficiency and effectiveness.

See Appendix 5 – Value for Money model for Revenue Funded projects

4.2 Customers

These include;

NHS Boards

Grampian, Highland, Orkney, Shetland and Western Isles

Local Authorities

Aberdeen City, Aberdeenshire, Argyll & Bute, Highland, Moray, Orkney, Shetland and Western Isles

Emergency Services

Police Scotland, Scottish Fire & Rescue Service and Scottish Ambulance Service

5. Competition

Our main competition comes from our participants and their internal teams and processes.

NHS - Although hub has exclusivity around non-acute projects above £750,000 we recognise more work has to be done to improve on our service, as discovered in our 'Lessons Learnt' exercise and business review carried out in 2014. In 2015 we will be continuing to work on our third DBFM and second across two boards.

Local Authorities - Councils have a choice whether or not to procure through hub. In 2014 we successfully secured work with six of the councils within our territory.

In 2014 we visited and engaged with all councils at senior level to discuss current projects and potential new opportunities.

Our efforts in 2015 will continue to focus on achieving further engagement with elected members and senior executive officers to reinforce the message, previously given, of the key benefits available to each Participant by using the hub process.

In 2015 we will be working to hand over our first revenue funded school project. We will also explore the opportunities to secure more joint working under services listed within the OJEU notice.

Emergency Services - As with local authorities, there is a choice to be made by the participant. In 2015 the continued challenge will be to gain a clear understanding of each organisation as they all develop as single forces. We will continue to work with all hub organisations in Scotland, in a joint approach, with the chief executives - having agreed to this in order to benefit all parties.

5.1 Internal frameworks

Local authorities and emergency services have established a variety of differing frameworks in respect of size and coverage, set up over a set period of time to tender for building works, as well as the Non-Profit Distributing (NPD), which is a Scottish Futures Programme to deliver large scale Investment Infrastructure.

5.2 External frameworks

There are a number of privately established businesses that have emerged to bid for market share, particularly focused on local authority works. These include;

- Scotland Excel: A non-profit making organisation funded by participating Local Authority members and regional teams in Aberdeen and Inverness
- SCAPE: Operated by Willmott Dixon in England, the organisation is owned by six Local Authorities and claims to be the only national OJEU compliant construction framework. Robertson Construction is delivering this in the North.

6. Communication Plan

In 2013 we appointed Citrus:Mix in a PR advisory capacity.

This has proved to be a good appointment with the media coverage for hub North Scotland increasing significantly. Our target audience has been local communities, participants, supply chain members and other stakeholders in the territory.

In 2014, recognising the need for more support around our communication activity, with the steep growth in business activity, we have increased the scope of service of Citrus:Mix particularly around digital and social media.

During 2014 some of the highlights have included;

- 7 roadshows/meet the buyer events
- 3 newsletters – web & print
- 5 turf cutting events
- 5 building handovers
- 22 press articles
- 3 TV/radio stories
- 3 cabinet ministerial engagement

We have engaged consistently throughout the year with the TPB, attended hub national events, engaged extensively at both operational and strategic level with our clients. We continue to be members of five chambers of commerce in our territory and SCDI.

In 2015 we will continue to focus our communication on two key groups: Participants and media.

Our communication objectives through our participants and the media are to firstly provide a concise explanation of the hub business and secondly a clear understanding of the role and benefits of working with hub from a participant perspective.

Participants

Engagement will be achieved by our board and executive team meeting with the most senior appropriate officer to establish the further needs from our participant organisations, notwithstanding the existing or currently arrangements already in place.

Our engagement will continue at three different levels: strategic, operational and technical. Our objective from these engagements will be the clear explanation of the hub business and the services it offers.

Media

Our media focus will continue to be led by our Business Development Manager with Citrus:Mix as advisors. It is our aim to continue to improve the media exposure for hub North Scotland and we will do this through press releases, the hub North Scotland website, the hub North Scotland Portal and through our social media presence on LinkedIn, Twitter and Facebook, along with more media work being undertaken on a joint basis with our supply chain.

We will work to our new Communication Plan and this will be our procedure guide to carry out specific actions and key engagements throughout 2015.

See Appendix 6 – 2015 Communication Plan

7. Management & Personnel

7.1 Structure and Key Skills

The business has both permanent structure and flexible resource bringing a broad range of skill sets to our partners, the Participants, including;

- Professionally qualified operational team (Royal Institute of Chartered Surveyors, Chartered Institute of Builders and Institute of Directors).
- Successful track record in delivering public private procurement projects.
- Highly competent and experienced resource operationally and technically.

See Appendix 7 – 2015 Business Structure

7.2 Management

The chief executive will continue to coordinate and be responsible for all activities, being the main point of contact with participants, the Territory Partnering Board (TPB) and shareholders, as the Territory Delivery Plan (TDP) is reviewed, developed and enhanced to provide the best strategy for delivering the participants' vision.

The chief executive will liaise directly with the board in agreeing, setting and implementing the current company strategy and will be responsible for all staff whether employed or seconded. The management team currently includes the operational director and business development manager. In 2014 we restructured and strengthened the team with a senior commercial manager and an operational manager.

In 2015 we will appoint a project manager to oversee our Strategic Partnering Services due to the ongoing development of this product.

In 2015 the Project Directors will be seconded 100% from the Private Sector Development Partner (PSDP), Alba Community Partnerships, with their cost reimbursement through the New Project Development Fee awarded upon contract award/ financial close of each project, unless by other agreement. The PSDP is taking the risk that projects will reach contract award/ financial close and that a fee will be received to cover the cost of the Project Director. It is envisaged that going forward, members of the supply chain involved in any new project will be paid all cost incurred up to stage 1.

Reimbursement costs are included in the make-up of the New Project Development Fee contained within the Pricing Data in the Territory Partnering Agreement (TPA).

7.3 Corporate Policies

In 2015 by Q2, we will have all company policies on the hub North portal.

- Health & Safety Systems
- Quality Management Systems
- Environmental Management Systems

As part of the requirement through the MSA the following policies are adopted:

- Equal opportunities
- Recruitment and retention
- Training and development
- Employment

7. Management & Personnel

7.4 Corporate Responsibility

Our business does not exist in isolation nor is it simply a way of making money or even just about delivering new facilities and support services. Our staff depend on our business and our participants, supply chain and local communities are all affected by our business and what we do. Our services and the way we deliver them also have an impact on the environment.

Corporate Responsibility (CR) for hub North Scotland is about understanding the impact our business is having throughout the North territory as well as the wider world and how we can use this impact in a positive way. This means taking a responsible attitude, going beyond minimum requirements and following straightforward principles embedded in trust and integrity. CR can cut across almost everything we do and everyone we deal with.

For hub North Scotland, the guide and measure of our CR is embedded within our KPIs at a business and project level.

In 2015 we will report on CR within our board reporting.

7.5 Project Set-up

The 'Project Guide' will be used by the project team to provide guidance and advice for the project team, when and where required. This guide is held on the hub North Scotland Portal and includes the following;

- Charter
- Project organogram
- Roles and responsibilities Matrix
- Process flow charts
- Reporting processes

7.6 Business Support

The PSDP will provide some support services and they will be procured using hub's approved Management Services Agreement (MSA). Currently the support functions include;

- Human Resource
- Information Technology
- Finance and Accountancy

8. Operational

8.1 Premises

We currently operate from offices located within NHS Grampian's office at Summerfield House in Aberdeen. This provides a good strategic location both geographically for our operations in the east of the territory and also by way of engagement with a key Participant in the front runner projects. The premises are rented to the business at extremely competitive rates and the flexible service requirements are very efficient.

We have recently increased our commitment to office space providing office accommodation to our partners in SFT, TPB and schools programme director.

We have considered alternative options for our Aberdeen base and will bring forward a proposal in Q1 of 2015.

8.2 hub North Scotland Portal

In 2013 we developed, tested and implemented a new online management system in partnership with a young local company providing software development services. This system is fully operational and in 2015 we will be developing more functionality to provide the business with more efficiencies in the way we operate.

The portal is an online tool that provides a secure user friendly system for all parties involved in the development, design and delivery of each new project.

The portal also provides the hub team with an online accounts system to help streamline invoicing and payments to and from our supply chain.

8.3 Quality Standards

In 2014 we commenced the process towards achieving full Quality Assurance (QA) accreditation with work on the new hub North Scotland portal. We successfully completed our first internal audit in Q4. The ISO 9000 family of standards is likely to

be used, as these are related to quality management systems and are designed to help the business meet the needs of our customers and other stakeholders.

In 2015 we intend to become fully accredited. The auditing and accreditation will be facilitated by a third party certification body to provide independent confirmation that we are meeting the requirements of the standards.

8.4 Management Systems

The chief executive will comply with all of the company's management systems and procedures, meeting operational requirements, being supported by the office manager.

8.4.1 Performance Measurement

The board is committed to achieving and demonstrating continuous improvement and VfM across all Partnering Services.

The Territory Partnering Agreement (TPA) includes Key Performance Indicators (KPIs) for measuring progress delivery of the Territory Delivery Plan (TDP) and its desired outcomes. Monitoring and measuring performance against the KPIs continues to provide relevant and up to date information on performance, so that shortfalls can be promptly identified and addressed. In 2015 KPIs will be reported on each month until otherwise agreed and an annual performance report will be submitted to the TPB for approval.

It is intended that in Q1 SFT will adopt and roll out the SPONSA management tool from the CITB Construction Skills to monitor the community benefit KPIs and provide feedback to the Scottish Government.

8. Operational

8.4.2 Health and Safety

The chief executive will ensure that the Health and Safety Policy is current, implemented in accordance with appropriate legislation and be responsible to the board in this respect. We will continue to maintain appropriate procedures in line with our business and these will also be monitored by the board.

We will continue to only appoint supply chain members who have consistently demonstrated their competence in health and safety relevant to their area of activity, through our assessment procedures carried out prior to any appointment

In respect to design and construction activity, we review the relevant legislation so as to ensure that the correct party appoints the Construction Design Management Coordinator (CDMC) at the earliest opportunity for each new project.

8.4.3 Financial Management

Supported through the Management Services Agreement (MSA), quarterly management accounts will be produced one month in arrears and will form part of the board papers.

The audit in 2015 will be carried out in Q1 and accounts presented to the board for approval and signing at the May board meeting.

8.4.4 Lessons Learnt

Following on from the 'Lessons Learnt' exercise carried out on the ACHCV project, we will carry out similar processes on a select number of projects but also carry out more frequent health checks at key stages throughout the procurement stage.

8.4.5 Risk Management

Both our business risks and specific project risks are being managed under the processes set out in the ongoing and project method statements, respectively.

The risk register will continue to be reviewed and updated on a quarterly basis by a steering group including the chief executive, the territory programme director and a director of hub North Scotland.

The chief executive will report with an update to the board at the end of each quarter or the board meeting nearest to this date.

The chief executive is responsible for implementing the risk management strategy and for mitigating the risks within the register.

The objectives of the risk management activities being undertaken are;

- To manage in a consistent and proactive way through delivery and into operation;
- To ensure visibility and sharing of risk information across the company;
- To safeguard the delivery of the business objectives;
- To ensure that risk is allocated to the party best placed and equipped to deal with it.

The Risk Register is the central risk management document. It comprises a prioritised list of key risks to the business achieving its objectives, with agreed responses to each potential risk.

See Appendix 8

9. Financial Performance

9.1 Project Programme

See appendix 9.

9.2 Overheads

Staff	£
Chairman	25,000
Chief Executive	130,000
Operational Director	90,000
Business Development Manager	55,000
Senior Administrator	24,000
Trainee Administrator	18,000
Strategic Services Manager	30,000
Senior Commercial Manager (seconded)	75,000
Operational Manager (seconded)	45,000
Commercial Advisor	20,000
Secondment	40,000
Board & expenses	
General	20,000
Board meetings	25,000
Travel and accommodation	30,000
Training and development	10,000
Entertainment	10,000
Office	
Rent	65,000
IT Equipment	10,000
Electronic Document Management System	15,000
Website & Social Media	10,000
Quality Management System	15,000
PR/Marketing	
Marketing and Engagement	60,000
Corporate events & responsibility	25,000
Management Services Agreement (MSA)	
Senior Commercial Advisor	25,000
Management Accounting and Annual Audit	50,000
Bank Charges and Insurances	15,000
Company Secretary	10,000
Human Resources / Marketing PR / IT Support	25,000
Project Director expenses	50,000
PD Costs (FC to PC)	150,000
Recruitment/retention packages	40,000
TOTAL	1,212,000

9. Financial Performance

9.3 Funding the operating budget

9.3.1 Protections for the Participants and Supply Chain

Following Stage 1 approval, the Participant will be required to make stage 1 payment of the supply chain fees during the process to contract award, since much of the risk is being passed to the supply chain prior to this. The main contractor will make any further payments in respect of designers, surveys and their own management costs until these are reimbursed upon contract award / financial close.

The participant's risk will be to meet the incurred project development fee as provided in the TPA. In this unlikely scenario the participant would only be liable for the actual costs or capped rates whichever is the lower.

9.3.2 hub North Scotland Income

In 2015 we will generate income by charging a one-off development margin at contract award for both capitally funded and revenue funded projects, plus an annual management fee for revenue funded projects. The one-off development margin will be charged to each project upon contract close at 1.8% (prime cost and prelim cost)

In 2014, for DBFM projects the annually recurring cap of 0.4% for the management of each sub-hubco was reviewed by the board. This charge is related to the services provided by our staff in the general management of each DBFM project. However, it is recognised this is not sustainable for all parties involved as the expected increase in activity brings with it the real challenges of delivering value for money not just quantitatively but also qualitatively.

We have calculated both the one-off development margin and the annual management fee to be as low as possible with the aim over the first five year period that the set up costs of the business are met along with the ongoing operation costs, producing a nominal surplus at the end of this five year period. This follows our overall strategy to model a business that seeks only to cover cost and not create profit, on an effective break-even basis.

See Appendix 10 – Project Progress by Date - 2015

9.3.3 Working Capital

There has been no change to the existing arrangements - see Appendix 11

9.4 Investing in Revenue Funded Projects

There has been no change to the existing arrangements - see Appendix 11

9. Financial Performance

9.5 Financial Summary

Below is a summary of costs, income and working capital needs for the business.

Profit and Loss	2012	2013	2014*	2015*
Income	10,044,321	35,567,424	58,387,868	69,000,000
Costs	9,418,485	35,025,870	56,164,854	66,500,000
Gross Profit	625,836	541,554	2,223,014	2,500,000
Administrative Costs	405,273	693,959	872,686	1,200,000
Operating Profit/(loss)	220,563	152,405	1,350,328	1,300,000
Interest & Similar charges	6,894	5,307	62,132	65,000
Pre Tax Operating profit/loss	213,669	157,712	1,288,196	1,235,000
Tax	0	0	264,155	247,000
Profit after tax	213,669	157,712	1,024,041	998,000

Balance Sheet	2012	2013	2014	2015
Bank Account	2,990,331	3,850,511	8,625,086	-
Finance lease debtor	0	17,768,551	32,929,933	-
Amount recoverable on contracts	6,710,604	10,818,345	24,814,393	-
Debtors	994,184	3,344,990	3,792,687	-
Working Capital Loan	0	0	600,000	-
Creditors due within one year	1,972,079	6,910,880	9,114,079	-
Creditors due after one year	8,823,699	29,129,888	59,673,491	-
Net Assets/(Liabilities)	110,659	258,371	774,529	-
Capital and Reserves	110,659	258,371	774,529	1,172,606

* Unaudited draft figures

9.6 SWOT Analysis

See Appendix 12

10. Appendices

1	High Level Targets
2	Ownership, The Board, Governance
3	Key Performance Indicators
4	Tier 1 Supply Chain
5	Value for Money model
6	Communication Plan
7	Business Structure
8	Risk Register
9	Project Programme
10	Project Progress by Date
11	Working Capital
12	Strengths, Weaknesses, Opportunities, Threats

2015 High Level Targets

No	Target	Description	Client	RAG Monitor	Qtr Target	Actual
1	Handover	Alford Campus	Aberdeenshire Council		3rd	
2	Handover	Aberdeen Brimmond School	Aberdeen City Council		4th	
3	Handover	Wick Noss Primary	The Highland Council		4th	
4	Financial Close	Elgin High School	The Moray Council		2nd	
5	Financial Close	Anderson High School	Shetland Islands Council		2nd	
6	Financial Close	Aberdeen SOTC Campus	Aberdeen City Council		4th	
7	Financial Close	Aberdeen Complex Needs	Aberdeen City Council		4th	
8	Financial Close	Oban & Campbeltown Schools	Argyll & Bute Council		3rd	
9	Engagement	Argyll & Bute Road Show	Argyll & Bute		2nd	
10	Engagement	Aberdeen Road Show	Aberdeen		4th	
11	Performance Report	Annual Performance	AGM		2nd	
12	Strategic Partnering	Appoint Project Manager	Office		1st	
13	Human Resources	Project Directors - seconded	Office		1st	
14	Management Systems	Key Performance Indicators & Project Reporting - Portal	Office		1st	
15	Management Systems	External Accreditation	Office		2nd	
16	Financial	Working Capital Loan - Repaid	Office		3rd	
17	Financial	Profitable Result	Office		4th	
18	Financial	Overheads within Budget	Office		4th	
19	>70% Pass	Key Performance Indicators	Office		2nd	
20	>£50m	New Project Request	NHS/Local Authority		4th	

Appendix 2

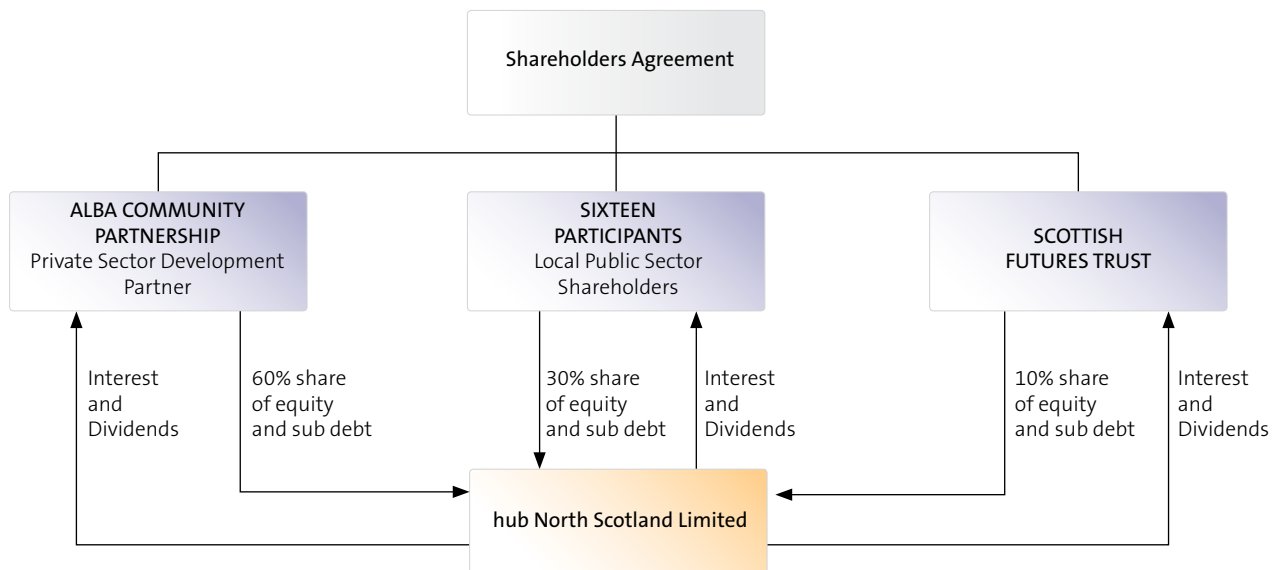
Ownership

Total Issue Share Capital		
Classification	% Stake	Shareholder
A	10	Scottish Futures Trust
B	30	16 North Territory Participants
C	60	Alba Community Partnerships

The Board

The Board		
Chairman	Jim Royan OBE	Independent
Director	Andrew Bruce	Scottish Futures Trust Representative
Director	Gerry Donald	Participant Representative
Director	Mark Baxter	Private Sector Development Partner Representative
Director	Paul McGirk	Private Sector Development Partner Representative
Director	Gavin Mackinlay	Private Sector Development Partner Representative
Alternate Directors		
Director	John Hope	Scottish Futures Trust Representative
Director	Hugh Murdoch	Participant Representative

Governance



HNSL KPIs - Business Level (Full View)

- (a) Continuous Improvement Test (CIT)
- (b) Track Record Test (TRT)
- (c) Significant Performance Failure (SPF)

KPI Data Period:

1st Dec - 31st Dec

- Key
- Target Achieved
- Target Monitor
- Target Not Achieved
- Not Active
- Not Required

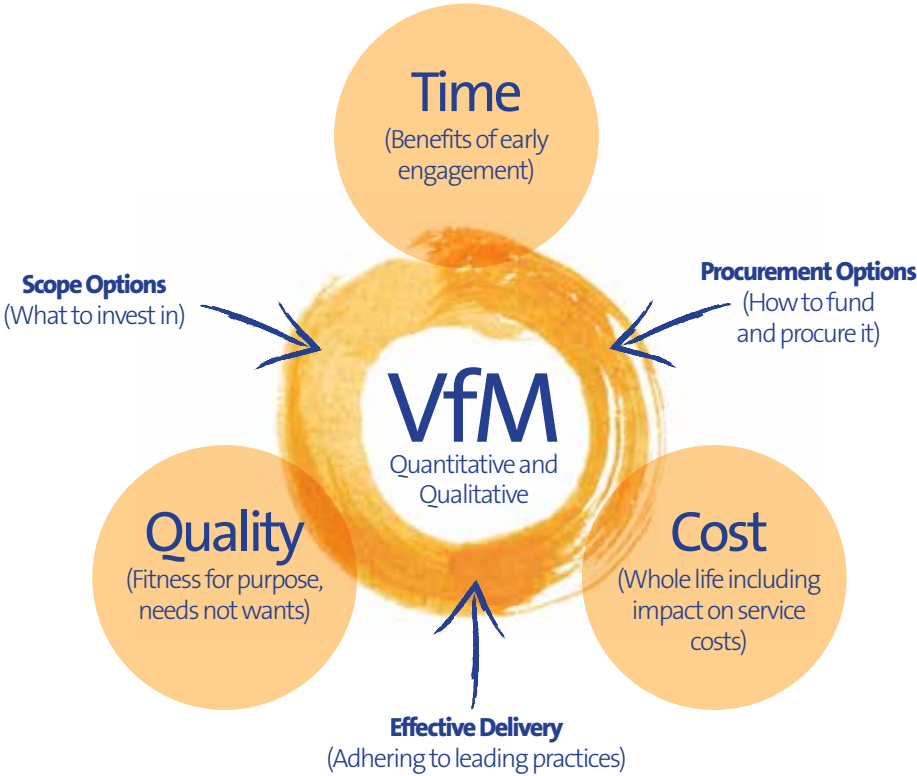
KPI	ANNUAL REVIEW POSITION MAR 14	ANNUAL REVIEW MAR 14 FORECAST	REPORTING PERIOD	PERFORMANCE DURING PERIOD	ANNUAL PERFORMANCE TO DATE			CIT	FORECAST POSITION MAR 15	FORECAST POSITION MAR 16	COMMENTS
					(APR - DEC)	SPF	TRT				
1. HEALTH & SAFETY											
Reportable RIDDOR Accidents in HNSL Members and Tier 1 Suppliers' Organisations			Dec	52.84	55.08	≥735	<700	≤450			Monitor - Full figures to be collated. Balfour Beatty awaited
Reportable RIDDOR Accidents on HNSL Member and Tier 1 Suppliers' Sites			Dec	0.00	72.28	≥735	<700	≤450			Currently meeting CIT
Number of HSE Enforcement Notices on HNSL Projects			Dec	0.00	0	N/A	≤1	0			Currently meeting CIT
2. MANAGEMENT SYSTEMS											
Establishment of Management Systems and Internal/ External Audits			Dec		MONITOR	PASS/FAIL	N/A	N/A			Monitor - Internal audit conducted on 14th Oct, next review rescheduled
Compliance with Management Systems			Dec		MONITOR	≥85%	N/A	≥95%			Monitor - Audit templates to be revisited, after full implementation of 2.1
3. PROGRAMME											
Delivery Performance of Stage 1 & 2 Development Process											Agreement with TPD for continuing current method of measurement. Due to difficulties assessing legacy issues on IRA and Wick programme measurements were agreed with TPD, TRT triggered.
Delivery against agreed Construction Programme			Dec	111.9%	109%	>110%	>125%	≤97%			15 SPF fail based on FWT & Custodial. 1G SPF fail - Brimmond risk of project TRT (112%) & Noss (118%), HNSL engaged with Participants. TPD validation exercise to be conducted Jan '15
			Dec	108%	113%	>105%	≤107.5%	≤97%	113%	112%	
4. COST											
Stage 2 Approvals			Dec	100%	100%	N/A	90%	97.5%			Utility questioned - Agreement of new KPI to agreed for implementation April '15 assessing cost creep across Stage 1&2.
Performance in Complying with VFM Method Statement			Dec	96%	98%	N/A	≥90%	≥95%			Assessment of KPI based on Hubco, TPD, and SFT review. For DBDA projects, HNSL will adopt current approval guidance.
Whole Life Costs			Dec		0%	N/A	N/A	≤95%			Monitor - OPEX costs to be determined, OMI advising no spend to date
Reduction in Average Construction Cost on Comparable Elements of Projects			N/A	N/A	N/A	N/A	N/A	N/A			N/A
5. QUALITY											
Design Quality				N/A	100%	N/A	85% ≥ Q Score	N/A			Monitor - AEDET figures to be collated. Audit tool for schools to be agreed. TPD suggested SFT programme goals.
			Dec	N/A	0%	N/A	95% ≥ 4	N/A			
Construction Quality			Dec	N/A	67%		85% New >8	N/A			Fail on Custodial (score of 4) - HNSL working with Participant and Contractor on outstanding items. Forres & Tain to be collated
Post Occupancy Quality			Dec	N/A	4.00		Score <5	N/A			Monitor - FWT Surveys awaited from NHS Grampian. Custodial to be conducted
			Dec	N/A	100%	N/A	≥90%	≥96%			
6. PARTNERING & COLLABORATION											
Active Involvement in Territory Partnering Board			Dec	N/A	MONITOR	≥70%	≥75%	≥90%			A KPI to measure Strategic Partnering Services to be scoped by HNSL and TPD
Overall Satisfaction with Partnering Services			Dec	N/A	N/A	N/A	≥70%	N/A			Not applicable - Agreed with TPD
7. COMMUNITY ENGAGEMENT											
Compliance with Community Engagement Proposals			Dec	N/A	MONITOR	N/A	≥85%	≥95%			TPD agreement on base programme strategy for community proposals, any project specific KPIs to be agreed with the Participant(s) and HNSL Management Team.

KPI	ANNUAL REVIEW POSITION MAR 14	ANNUAL REVIEW MAR 14 FORECAST	REPORTING PERIOD	PERFORMANCE DURING PERIOD	ANNUAL PERFORMANCE TO DATE			CIT	FORECAST POSITION MAR 15	FORECAST POSITION MAR 16	COMMENTS
					(APR - DEC)	SPF	TRT				
8. COMMUNITY BENEFIT											
Recruitment and Training - Apprenticeships			Dec	N/A	1 App/ £6.16m	1/£8m	1/£6m	1/£4m			Monitor - Projects delivered achieved CIT. Projects on site on track to meet objectives
Recruitment and Training - Graduates			Dec	N/A	1 App/ £3.48m	1/£8m	1/£6m	1/£4m			Monitor - Projects delivered achieved CIT. Projects on site on track to meet objectives
Small and Medium Enterprise (SME) / Third Sector development			Dec	N/A	83%	N/A	N/A	≥80%			TPD validation exercise to be conducted w/c 26/1/15.
9. SUSTAINABILITY											
Achievement of BREAAAM Targets			Dec	N/A	100%	N/A	≥95%	≥97.5%			BREAAAM Score awaited from Balfour Beatty on Custodial
Reducing Construction Waste by Quantity			Dec	2.48t/ £100k	130.57t/ £100k	N/A	≤6.50t/£100k	≤5.00t/£100k			Monitor - Further assessment on Brimmond required to understand association with contaminated waste, and process once it has left the site
Reducing Construction Waste to Landfill by Weight			Dec	0.17t/ £100k	2.75t/ £100k	N/A	≤3.25t/£100k	≤2.50t/£100k			Monitor - Further assessment on Brimmond required
Reuse and Recycling of Construction Waste			Dec	94%	91%	N/A	≥70% Con	≥80% Con			
Reducing Construction Waste -Waste Management Plan			Dec	N/A	99%	N/A	≥80% Demo	≥90% Demo			
Recycled Content Materials			Dec	N/A	PASS	N/A	PASS/ FAIL	N/A			Monitor - Full details of all materials on projects at PC
EPC Rating			Dec	N/A	83%	N/A	<15%	N/A			Monitor - Forres and Tain scores collated. Woodside score outstanding. Kittybrewster Custodial score to be checked
			Dec	N/A	61%	N/A	<90%	≥110%			
10. SUPPLY CHAIN MANAGEMENT											
Compliance with the Method Statement for Selection & Management of the Supply Chain			Dec	N/A	0%	N/A	≥80% Each	≥95% Each			Monitor - Aonits to be continue reviewing supply chain refresh - dates to be confirmed in line with KPI 2.1
Compliance with the Method Statement for Selection and Management from the Supply Chain to Each Project			Dec	N/A	22%	N/A	≥80% Each	≥95% Each			Monitor - Continue to collate audit data to confirm compliance
			Dec	N/A	0%	N/A	≥85% Agg	≥95% Agg			
11. OVERALL PERFORMANCE OF NEW PROJECT DELIVERY											
Overall Performance of New Project Delivery			Dec	N/A	3 TRT FAILS	>3 TRT fails	N/A	<2 TRT fails			Monitor - Failed TRTs 3.1, 3.2 & 4.2. Potential for 4.3 to pass TRT. Approach to KPI 4.2 and 4.3 to be agreed. Continued focus on quality of project data to highlight TRT risk
12. DESIGN APPROACH AND SUSTAINABILITY											
CCS Rating			Dec	40	39	N/A	≥32	≥35			Projected to meet CIT. Assessment method to be reviewed with TPD for implementing April '15
£s in the Ground Indicator			Dec	N/A	87%	N/A	Refurb ≥65% New ≥70%	Refurb ≥75% New ≥80%			TPD validation exercise to be conducted w/c 26/1/15.
14. Funding											
Ability to Secure Funding for DBFM Projects			Dec	N/A	2	N/A	1	3			Monitor- Feedback from SFT on future aggregated funding
15. Value for Money / Design Quality											
Optoneering			Dec	N/A		N/A	≥75%	≥90%			Agreement on use of KPI. How the KPI is to be measured is to be agreed with the TPD
16. Partnering & Collaboration											
Efficiency of Collaborative Approach			Dec	N/A	N/A	N/A	sGen 8 sSpec 5	sGen 3 sSpec 2			Not Applicable - Agreed with TPB
17. Partnering - CCF											
Cost & Programme Collaborative Benefits			Dec	25	25	N/A	≤25	≤10			Use of KPI to be reviewed
18. Partnering - Questionnaire											
Community Satisfaction			Dec	N/A	N/A	N/A	≥70%	≥87.5%			Not Applicable - Agreed with TPB

Tier 1 Supply Chain

Contractors	<ul style="list-style-type: none"> • Balfour Beatty plc • Kier Construction • Morrison Construction • Ogilvie Construction Limited • Robertson Construction
FM Providers	<ul style="list-style-type: none"> • Arthur McKay & Co Limited • Bam FM • Mears Group FM • Miller Asset 24 • Robertson FM
Architects	<ul style="list-style-type: none"> • Boswell, Mitchell & Johnston Architects Limited • JM Architects Limited • Kenneth Reid Architects Limited • Mackie Ramsay Taylor • Ryder Architecture
Consultants	<ul style="list-style-type: none"> • Buro Happold Limited • DSSR • Fairhurst • Halcrow Group Limited • Mott Macdonald • Ove Arup & Partners Scotland Limited • Rybka • Wallace Whittle Limited • Waterman Group
PM/QS/CDMC	<ul style="list-style-type: none"> • Faithful + Gould Limited • Mott Macdonald • Sweet (UK) Limited • Turner Townsend Cost Management Limited
Legal Advisors	<ul style="list-style-type: none"> • Burness LLP • Dundas and Wilson LLP • Harper MacLeod LLP • MacRoberts LLP • McLure Naismith LLP
Funding Advisors	<ul style="list-style-type: none"> • Baker Tilly UK Group LLP • Ernst & Young Global Limited • Quayle Munro Limited

Components of Value for Money





2015 Communication Plan

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1.0 The story so far

Established in 2011, hub North Scotland has been at the forefront of the hubco model's implementation throughout the country. The organisation covers an expansive territory stretching from the southern tip of Aberdeenshire on the east coast to the islands of Orkney and Shetland in the north, Argyll to the south and the Western Isles.

In less than three years in operation, hub North Scotland has completed projects in the health care and emergency service sectors with an ongoing pipeline featuring a number of educational facilities.

The first design, build, finance and maintain project in Scotland under the hubco model was delivered by hub North Scotland when the Aberdeen Community Health and Care Village was handed over in Q4 2013.

hub North also led the way being the first hub in Scotland to procure a joint DBFM project over two participant bodies.

Communication to date has included a variety of methods, including: media and PR activity; direct stakeholder engagement; supply chain roadshows; internal newsletter; website; internal online portal; printed marketing and promotional material; community engagement events.

The ongoing communication plan will embrace those platforms and also seek to introduce new and dynamic means of reaching target audiences, including a focus on social networks and other digital opportunities.

The overarching objective is to produce a robust and comprehensive strategy to demonstrate engagement with target audiences and provide a mechanism for promoting the key hub North Scotland messages.

1.1 Mission statement

hub North Scotland has a mission to develop a brand and reputation as the provider of first choice for its participant members.

hub North Scotland has an aspiration to be the exemplar hub in Scotland.

2.0 Communication objectives

Communication objectives are designed to dovetail with the hub North Scotland business plan and support the board and executive team in delivering wider objectives. The main aims identified are:

- To raise awareness of hub North Scotland and individual projects;
- To explain the hub model;
- To engage with key stakeholders and influencers: project participants; community representatives and residents; supply chain members; political representatives;
- To communicate clearly and openly with hub North Scotland employees and board members.

2.1 Messages

Key messages which are appropriate for inclusion in all communication channels – both internal and external – are integral to the plan. It is important to identify four or five messages that can be repeatedly emphasised and which will have the desired impact as opposed to having a lengthy list, which runs the risk of sending out confused or mixed signals. Key messages are:

- hub North Scotland is the driving force behind the planning, procurement and delivery of community-based infrastructure projects across the north of Scotland;
- The hub model provides best value for project partners and the public;
- hub North Scotland is committed to being at the heart of the communities it serves;
- hub North Scotland is the development partner for 16 participants throughout its territory;
- The local supply chain is high on the hub North Scotland agenda for every project;
- hub North Scotland works in partnership with key stakeholders;
- hub North Scotland has an exclusivity arrangement with all NHS boards in Scotland to use hub for the provision of primary health care assets.

2.2 Key audiences

Audiences – both internal and external – dictate the tools required to implement the communication plan. The targets will evolve and require revisions throughout the duration of the plan, but will include:

- Current and potential project participants;
- Community groups and residents within project catchment areas;
- Current and potential supply chain members;
- Local, regional and national media;
- Local and national politicians;
- Scottish Futures Trust representatives;
- Alba Community Partnership members (organisations and individual representatives);
- hub North Scotland employees and board members.
- Representatives from industry bodies;
- Representatives from business organisations.

3.0 Strategy

Although hub North Scotland is an established organisation, it is important to raise and maintain its profile as the project pipeline grows and its geographical reach expands. Communicating the visions and values of the organisation is also important to encourage greater engagement and support among the communities served and key stakeholders.

The foundation for all communication activity is to explain the hub model. Despite the model's growing track record, there remains a challenge in establishing a solid understanding among some key audiences – notably the public and the media.

Ongoing media activity and liaison with key journalists is vital, with repetition of message and the clear mission statement employed throughout.

Whilst traditional media has a central role to play in the overarching strategy, embracing digital channels is viewed as a valuable way of addressing the issues in engaging with the public.

Personal engagement by hub North Scotland representatives has been an important strand of the strategy to date and remains at its core. The ranges from one-to-one meetings with influencers among target audiences to through workshops, community events and roadshows.

In all cases, the key messages highlighted are central to the recommended strategy and should be used in all communications. The desired outcome is to underline hub North Scotland's ongoing role in vital projects and to position it as a forward thinking organisation committed to the communities being served.

4.0 Communication toolkit

Delivering key messages to members of the target audience requires a mixed marketing toolkit. A number of the elements of the toolkit have been established during the past three years but others require to be developed as part of the ongoing plan.

- Print: newspaper and advertising editorial through PR; newspaper and magazine advertising; marketing collateral including case studies and exhibition/roadshow material; internal newsletters.
- Digital: website; social channels including Twitter, LinkedIn and Facebook; email newsletters; online editorial through PR.
- Face to face: roadshows; supply chain events; stakeholder engagement through one to one meetings.

4.1 Tactics

PR

- Continue to issue news releases, both print and online, covering key project milestones;
- Newspaper supplements: identify platforms to promote activities, highlighting particular services and/or promoting nominated individuals;
- Research forward feature lists in construction industry titles and target feature articles;
- Industry comment: build hub North Scotland's profile by being at the heart of the media conversations regarding community facilities;
- Continue to place feature articles that support working relationships with key contractors;
- News-In-Briefs: maintain media profile at a time when no significant announcements are being made with short pieces of information to key members of the press for inclusion in their 'news-in-brief' (NIB) sections, e.g. forthcoming presentations/ events and CSR activity.

Marketing, promotion and reporting

- Develop new creative and messaging for advertising and promotion through print and online platforms. This should be reviewed and updated on a regular basis to keep campaigns fresh and up to date;
- Create an updated brochure underlining hub North Scotland's role in community projects and highlighting key messages;
- Develop a suite of case studies, following a consistent structure to a set template;
- Consistent artwork for stationery, business documentation (including annual report) and other print requirements.

Website

- Website to be regularly updated with relevant news content;
- Ensure consistent visual approach to web design and marketing material;
- Develop blog to establish the organisation's personality while introducing key personnel and detailing project progress;
- Ensure rich SEO content to increase website reach and accessibility.

Social media

- Dedicated social media strategy to be developed and implemented;
- Build on hub North Scotland presence on LinkedIn, with a focus on engaging internally and also with external stakeholders in the corporate and public sectors;
- Develop a presence on Twitter with a view to community engagement;
- Develop a presence on Facebook with a view to community engagement;
- Identify digital promotional opportunities for key events, including roadshows;
- Employ analytics to monitor and evaluate social media campaign;
- Conduct social media training for key personnel to ensure effective implementation of strategy.

E-newsletter

- Develop database capturing key audience members and organisations;
- Create an e-newsletter as a platform for direct communication, incorporating links and enabling analytics;
- Drive traffic to hub North Scotland website.

Community and supply chain events

- Ensure consistent messaging and creative approach to design and planning for exhibitions, roadshows and events (stand/system design, print collateral, presentations);
- Ensure consistent messaging and creative approach to PowerPoint and other electronic presentations.

Stakeholder engagement

- Maintain and build relationships with key stakeholders through personal contact;
- Structured programme of one-to-one engagement.

Internal communication

- Expand newsletter content and increase frequency as a key internal communication tool;
- Maintain consistent messaging in all internal communication.

5.0 The way ahead

hub North Scotland recognises the importance of an ongoing communication plan as part of the wider business plan. It is also noted that the objectives, messaging and key audiences will change and evolve as the organisation matures. As such, it is recommended the communication plan is reviewed on an annual basis.

The implementation of the action points outlined within the communication plan will be carried out by a combination of hub North Scotland team members and specialist outside support.

Whilst direct stakeholder engagement, public events and elements of internal communication can be handled by the existing team, the remaining aspects of the tactical plan will require agency input. Specifically PR and design support have been identified as ongoing requirements, with digital consultancy and training a new requirement as part of the updated strategy. It is envisaged digital platforms will have a significant part to play in future communication activity.

The communication plan is to be used as a platform for future activity, with scope for rolling updates and processes in place to ensure changing needs and reactive requirements can be quickly addressed

6.0 Appendices

Appendix 6.1

Participants and key stakeholders

- Aberdeen City Council
- Aberdeenshire Council
- Argyll & Bute Council
- Comhairle Nan Eilean Sair
- Highland Council
- Moray Council
- NHS Grampian
- NHS Highland
- NHS Orkney
- NHS Shetland
- NHS Western Isles
- Orkney Islands Council
- Shetland Islands Council
- Police Scotland
- Scottish Fire and Rescue Service
- Scottish Ambulance Service
- Scottish Futures Trust
- Galliford Try Plc
- Sweett Equitix

Appendix 6.2

Supply chain members (Tier 1)

- Ogilvie Construction Limited
- Balfour Beatty plc
- Morrison Construction
- Kier Construction
- Robertson Construction
- Arthur McKay & Co Limited
- Miller Asset 24
- Mears Group FM
- Robertson FM
- bam FM
- Boswell, Mitchell & Johnston Architects Limited
- JM Architects Limited
- Kenneth Reid Architects Limited
- Ryder Architecture Limited
- Mackie Ramsay Taylor
- Buro Happold Limited
- Halcrow Group Limited
- Ove Arup & Partners Scotland Limited
- Fairhurst
- Waterman Group
- DSSR
- Wallace Whittle Limited
- Rybka
- Mott MacDonald
- Sweet (UK) Limited
- Faithful+Gould Limited
- Turner & Townsend Cost Management Limited
- Burness LLP
- Dundas and Wilson LLP
- MacRoberts LLP
- McLure Naismith LLP
- Harper MacLeod LLP
- Baker Tilly UK Group LLP
- Quayle Munro Limited
- Ernst & Young Global Limited

Appendix 6.3

Territory key media organisations

Aberdeen and Aberdeenshire

- Press and Journal
- Evening Express
- Aberdeen Now (Daily Record)
- Original FM
- Northsound Radio
- BBC Aberdeen
- STV Aberdeen/STV North
- Donside Piper
- Fraserburgh Herald
- Aberdeen Business News
- Business Now
- Business Bulletin

Highlands

- Press and Journal
- MFR
- Inverness Courier / Executive Life magazine
- Highland News
- North Star
- Caithness Courier
- John O’Groat Journal
- West Highland Free Press (Barra project)
- Hebridean Press Service (Barra Project)
- Stornoway Gazette (Barra project)
- West Coast Advertiser
- Isles FM
- Highland Business News

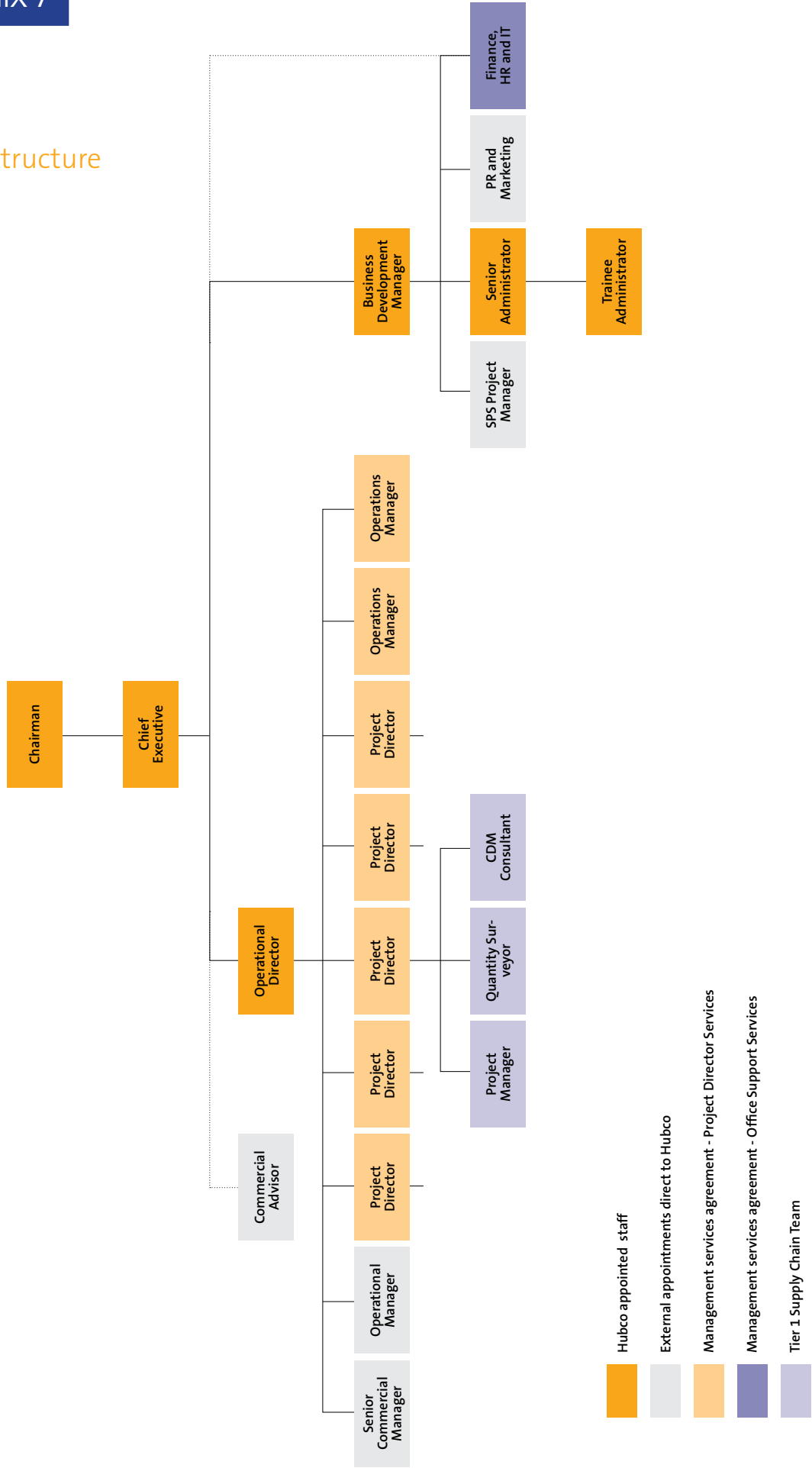
Shetland

- The Shetland Times
- BBC Shetland
- Shet News
- Press and Journal
- SIBC
- STV Shetland

Orkney

- The Orcadian
- BBC Orkney
- Press and Journal
- The Orkney news
- STV Orkney

Business Structure



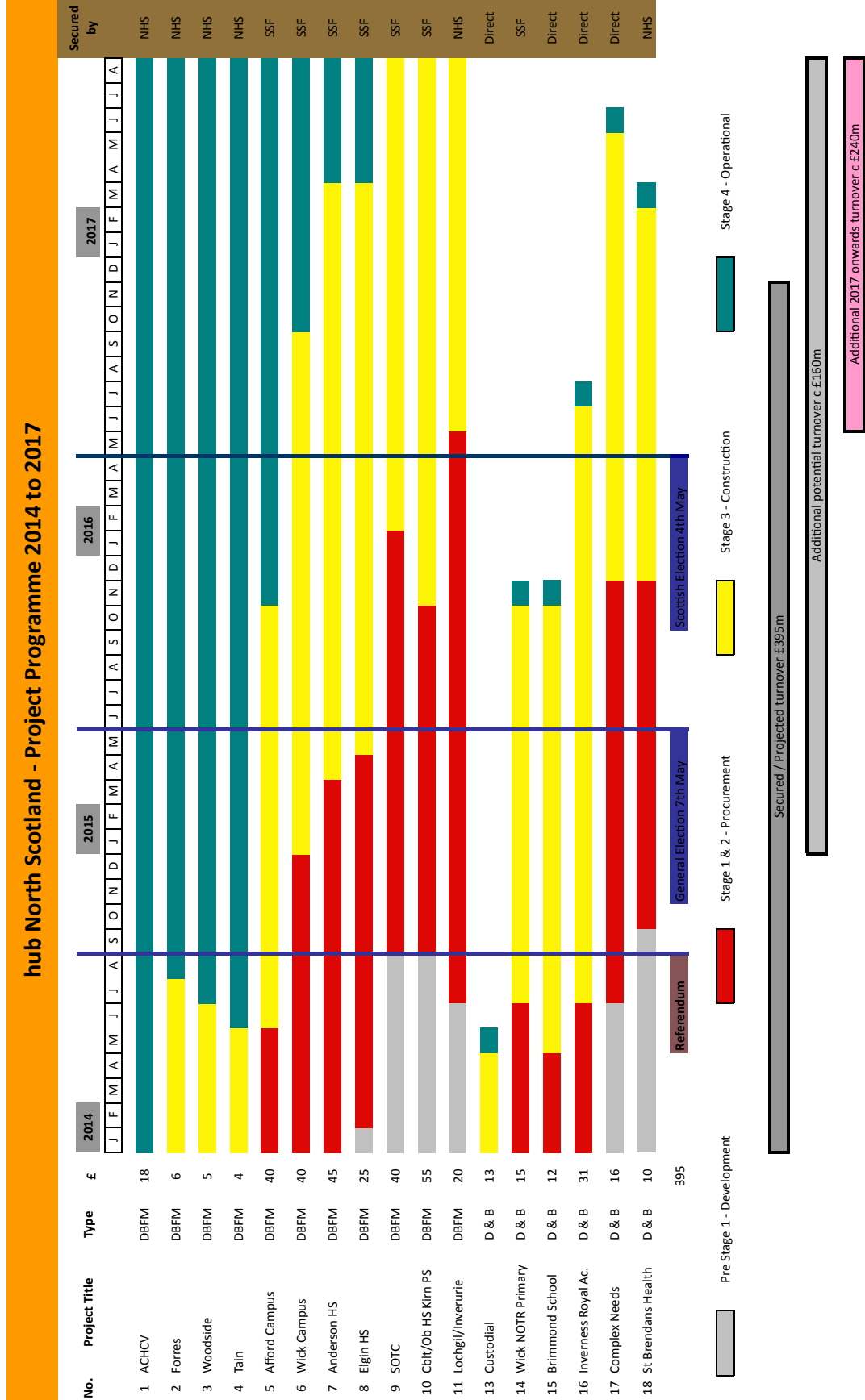
Appendix 8

Risk Register

RISK DESCRIPTION	Probability	Impact	Score	MITIGATION MEASURE	Responsibility	POST MITIGATION		
						Probability	Impact	Score
Projects take longer to financially close than originally envisaged delaying fixed fee income against a backdrop of monthly recurring hubco costs	3	5	15	<ul style="list-style-type: none"> Ensure that initial timetables are realistic Do not expose hubco where staged sign offs are not received Share risk where appropriate with partners - both client and subcontractor partners. Review monthly the hubco cashflow . Also monitor a general six month delay sensitivity to ensure that working capital facilities are sufficient. 	The Board	2	3	6
Long term funding ceases to be available for projects at an affordable price.	3	5	15	<ul style="list-style-type: none"> Regularly review alternative forms of funding. Ensure that where this risk is manifesting that Hubco offers are appropriately caveated Programme wide issue which should be raised at national level and national solutions. Refinance Risk reviewed and return levels reviewed on applicable projects 	The Board			
Insolvency of a Supply Chain Member or Qualifying Partner (if selected)	3	5	15	<ul style="list-style-type: none"> Review the financial status of each shortlisted company asked to tender by requesting appropriate information in the tender package. Review at a high level the financial status of companies carrying out the Qualifying Partner process by requesting appropriate information with the PQQ. There are provisions within the Supply Chain Agreement and Qualifying Partner Agreement for poor performance and management. Ensure that funding security packages are in place to protect hubco on DBFM projects 	CE/PD/The Board	2	5	10
Hubco not seen as the preferred route of procurement	3	5	15	<ul style="list-style-type: none"> Form strong partnerships with each Participant and demonstrate value metrics Develop and interrogate intelligent benchmarking which demonstrates transparent pricing procedures 	CE	2	4	8
Unable to design and/or build at proforma rates due to changes in market forces	3	5	15	<ul style="list-style-type: none"> Seek adjustment to the Territory Partnering Agreement (TPA) Develop appropriate comparators Maintain market knowledge through the supply chain 	CE	2	4	8
Budgetary cuts having a detrimental affect on the pipeline	4	3	12	<ul style="list-style-type: none"> Review all funding options, including batching and bundling Understand Participant's financial pressures and affordability levels. Continually review alternative ways of financing projects e.g. contractor finance. 	CE	3	3	9
Qualifying Partner not able to sign the supply chain agreement	2	5	10	<ul style="list-style-type: none"> Process of sign up of QP to be included in the key risk element of the supply chain agreement 	CE	1	3	3

RISK DESCRIPTION	Probability	Impact	Score	MITIGATION MEASURE	Responsibility	POST MITIGATION		
						Probability	Impact	Score
Hubco fail to perform resulting in the late delivery of a project	2	5	10	<ul style="list-style-type: none"> The performance of hubco and the Supply Chain / selected Qualifying Partners are measured by the KPIs on a regular basis. The Chief Executive will report on all projects in their report at each Board meeting, including programmed. 	CE	1	3	3
Project cancellation reduces future revenue streams	2	5	10	<ul style="list-style-type: none"> Run with appropriate levels of working capital to allow for fluctuations and variations in the pipeline of work to occur. 	CE	2	4	8
Unable to deliver an affordable scheme at Stage 2	2	5	10	<ul style="list-style-type: none"> The Board to sign off Stage 1 and Stage 2 prior to being submitted, which should ensure certainty regarding affordability. CE's monthly board report to clearly identify any forthcoming risks 	CE/The Board	1	4	4
The future costs of funding rise such that DBFM projects become unaffordable.	3	3	9	<ul style="list-style-type: none"> Regularly review alternative forms of funding. Ensure Participants are aware of the long term financial commitments from early in the process. Promote an attractive long term pipeline to senior funders to ensure value for money is maximised. 	The Board	2	3	6
hubco operates outside of its purpose	2	4	8	<ul style="list-style-type: none"> The Articles of Association of hubco are clearly and explicitly set out the company's trading remit. At regular intervals the Chair leads a review, with invited suitable Participant individuals, of the activities of hubco. 	The Board / Chair	1	3	3
Resilience and disaster planning are not in place when required	2	4	8	<ul style="list-style-type: none"> Resilience and disaster planning procedures to be in place. 	CE	1	4	4
Reputational risk to the hubco business	2	4	8	<ul style="list-style-type: none"> MSA to provide the capability and backup to the CE by way of supporting responses to press questions around such topics relating to freedom of information, corporate governance, project specific data and data protection . To have in place a robust working communication strategy forming part of the management systems and procedures. 	The Board	1	3	3
Hubco's viability in relation to working capital	2	4	8	<ul style="list-style-type: none"> Report on finances at each Board meeting to closely monitor. Bank Account approval process in place when expenditure exceeding specific amounts. Maintaining the pipeline and increased certainty of project commitment by Participants. 	CE/The Board	1	2	2
A change in Scottish Local Government	3	2	6	<ul style="list-style-type: none"> Promote hub as a value for money procurement vehicle at all levels. Work with Participants to assist in resolving their issues to develop opportunities. 	CE/Chair	1	2	2
The Shareholder party who may take on Partnering Services (e.g. Management Services) fails to perform.	2	3	6	<ul style="list-style-type: none"> The performance of hubco is measured and reported on a quarterly basis. The Chief Executive will manage the hubco team. 	CE	1	2	2
The Chief Executive exceeds their authority in respect of expenditure	2	3	6	<ul style="list-style-type: none"> Bank account limits level of expenditure by the Chief Executive. Board signatories required as level of expenditure increases 	The Board	1	1	1
Hubco being able to recruit the correct calibre of employees needed to operate the business.	2	2	4	<ul style="list-style-type: none"> Processes in place through the Management Services Agreement to carryout fully HR function. Business Plan in place to correctly reflect the strategy of growth and requirements necessary to achieve the targets set. Office Manager appointment following an agreed path of recruitment. Interim Development Director appointment will be reviewed in June. 	The Board	1	1	1

Project Programme



Appendix 10

Project Progress by Date - 2015

Project Title	Client	Type	Value		NPR	Stage 1	NPR to Sg 1	Stage 2	FC	NPR to FC	PC	FC to PC
ACHCV	NHS G	DBFM	£15.5m	Target	Mar-11	Oct-11	8 months	Mar-12	Mar-12	12 months	15th Nov 2013	20 months
				Actual	Mar-11	Nov-11	9 months	Mar-12	2nd Apr 2012	13 months	27th Nov 2013	20 months
Forres	NHS G	DBFM	£6m	Target	Jun-12	Dec-12	6 months	Apr-13	May-13	12 months	25th Apr 2014	12 months
				Actual	Jun-12	Dec-12	6 months	Apr-13	18th Apr 2013	11 months	1st Aug 2014	16 months
Woodside	NHS G	DBFM	£4m	Target	Jun-12	Dec-12	6 months	Apr-13	May-13	12 months	25th Apr 2014	12 months
				Actual	Jun-12	Dec-12	6 months	Apr-13	18th Apr 2013	11 months	27th June 2014	14 months
Tain	NHS H	DBFM	£4m	Target	Jun-12	Dec-12	6 months	Apr-13	May-13	12 months	25th Apr 2014	12 months
				Actual	Jun-12	Dec-12	6 months	Apr-13	18th Apr 2013	11 months	23rd May 2014	13 months
Wick HS	THC	DBFM	£39m	Target	Aug-12	Apr-13	8 months	Oct-13	Nov-13	15 months	Sep-16	21 months
				Actual	Aug-12	May-13	13 months	Jun-14	Dec-14	29 months		
Afford Campus	AC	DBFM	£30m	Target	Aug-13	Sep-13	n/a	Nov-13	Dec-13	4 months	Oct-15	22 months
				Actual	Aug-13	Oct-13	n/a	Nov-13	May-14	9 months		
Anderson HS	SIC	DBFM	£41m	Target	Sep-13	Jan-14	4 months	Mar-15	Apr-15	18 months	Mar-17	24 months
				Actual	Sep-13	May-14	8 months					
Elgin HS	TMC	DBFM	£19m	Target	Feb-14	Aug-14	7 months	Mar-15	Apr-15	15 months	Mar-17	24 months
				Actual	Feb-14	Sep-14	8 months					
Cblt/Oban	ABC	DBFM	c£50m	Target	Jan-14	Feb-15	6 months	Sep-15	Oct-15	14 months	Nov-17	26 months
				Actual	Sep-14							
Lgphead/Inver	NHS G	DBFM	c£20m	Target	Feb-14	Apr-15	10 months	Feb-16	May-16	21 months	Dec-17	20 months
				Actual	Jul-14							
Tory/Kincorth	ACC	DBFM	c£35m	Target	Mar-14	Mar-15	7 months	Nov-15	Jan-16	18 months	Jan-18	24 months
				Actual	Sep-14							
Fburgh Dental	NHS G	D & B	£1.8m	Target	Apr-12	Aug-12	4 months	Feb-13	Apr-13	12 months	Oct-13	6 months
				Actual	Apr-12	Aug-12	4 months	Feb-13	Apr-13	12 months	Oct-13	6 months
Custodial	PS	D & B	£13m	Target	Mar-12	Aug-12	5 months	Dec-12	Dec-12	10 months	Feb-14	14 months
				Actual	Mar-12	Aug-12	5 months	Jan-13	Jan-13	11 months	May-14	16 months
Brimmond	ACC	D & B	£11m	Target	Apr-13	Jul-13	4 months	Oct-13	Nov-13	8 months	Jul-15	15 months
				Actual	Apr-13	Nov-13	8 months	Feb-14	Apr-14	13 months		
Complex Needs	ACC	D & B	£17m	Target	May-14	Mar-15	11 months	Sep-15	Oct-15	18 months	tba	18 months
				Actual	May-14							
St Brendans Health Centre	NHSWI	D & B	£9m	Target	Sep-14	tba		tba	tba	12 months	tba	15 months
				Actual	Sep-14							
Kirn Primary	A & B	D & B	£7m	Target	Sep-14	Feb-15	6 months	Sep-15	Sep-15	12 months	May-17	21 months
				Actual	Sep-14							
Anderson Hostel	SIC	D & B	£7m	Target	Sep-13	Jan-14	4 months	Mar-15	Apr-15	18 months	Oct-15	22 months
				Actual	Sep-13	May-14	8 months					
N Wick PS	THC	D & B	£14m	Target	Jul-13	Oct-13	4 months	Feb-14	Mar-14	9 months	Oct-15	16 months
				Actual	Sep-13	Nov-13	7 months	Jun-14	Jul-14	13 months		
Inverness RA	THC	D & B	£31m	Target	Jun-13	Oct-13	4 months	Apr-14	May-14	12 months	Jun-16	24 months
				Actual	Aug-13	Nov-13	6 months	Jun-14	Jun-14	11 months		
			£334m				NPR-FC	FC-PC			NPR-FC	FC-PC
				Targets	D&B	£0-3m	9 months	9 months	DBFM	£15-30m	15 months	24 months
						£3-10m	12 months	15 months		£30m-50m	18 months	30 months
						£10-20m	15 months	18 months				

Working Capital

The business requires working capital to fund the operating budget and set up costs whilst the pipeline projects reach contract award / financial close.

A Working Capital Loan is currently in place and is made on the following terms:

- Amount: £900,000
- Interest rate: 4.5%
- Funder: PSPD, Participants and SFT in shareholding proportion

The Loan is on a non-recourse basis and shareholders will take the risk that hub North will generate sufficient projects to be able to meet the repayment obligations.

Investing in Revenue Funded Projects

Return on Equity Contributions and Subordinate Debt

We have committed to the following capped returns for all DBFM projects:

- A blended equity Internal Rate of Return (IRR) of 10.5%.
- A share of profits with Participant(s) 50:50 where the IRR exceeds 10.5%.
- 100% excess profits to Participant(s) where IRR is above 13.5%.
- hub capped at maximum IRR of 12%.

IRR Threshold Levels

	IRR	hubco Share of Return	Participant Share of Return
Bid IRR	Bid IRR	Bid IRR	Bid IRR
Threshold 1	Threshold 1	Threshold 1	Threshold 1
Threshold 2	Threshold 2	Threshold 2	Threshold 2

SWOT Analysis

Strengths

- Public / Private Partnership – new delivery vehicle exclusive to Participants
- Joint Ownership – controlled investment opportunity with guaranteed returns
- Available funding – working capital loan in place and access to money markets
- Professional experts – established and developed supply chain
- Flexible resource – risk of peaks & troughs absorbed by private sector partner
- Vision & energy – executive team supported by the Board

Weaknesses

- Start up business – establishing viability and stability
- Territory knowledge – new entrant into existing market place
- Resource build up – perceived conflict of interest with PSDP/Supply chain
- Experience – competency and capacity within Participant organisations
- Relationship – trust and integrity to be proven over time
- Learning curve – time taken to develop and build a strong identity

Opportunities

- Willing partners – varied capacity and capability to engage
- Territory Partnering Board – involvement of key people within Participant organisations
- Fragile communities – willingness to engage and offer strategic support
- Geographical reach – commitment and ability to deliver
- Joined up thinking – collaborative working across organisational divides
- Unique setup – bundling of projects at collaborative and operational stages

Threats

- Political – local and national stability
- Political policies – unforeseen changes and new direction
- Culture – unhelpful previous procurement experience
- Alternative frameworks – moving away from the norm to choose differently
- Funding routes – appetite of market to invest and number of entrants
- Negative publicity – failure to deliver





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