

## **WORCESTER LIBRARY AND HISTORY CENTRE**

### **FINAL BUSINESS CASE STAGE 2 (PRE FINANCIAL CLOSE)**

**Public Version**

**August 2009**



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## **1. Executive Summary**

### **1.1 Introduction**

An Outline Business Case (OBC) was submitted to the Department for Culture, Media and Sports (DCMS) in September 2006. It received approval from the Project Review Group (PRG) in November 2006.

This Final Business Case (FBC) Stage 2 forms a supplement to the Stage 1 FBC submitted to DCMS in March 2009. The Stage 1 report updated on the affordability of the Project which confirmed that, in respect of the Preferred Bidder, the project remained affordable to the Project Partners on the basis of the approved PFI credits of £40.899m. This was confirmed by the Worcestershire County Council Cabinet on 2<sup>nd</sup> April 2009 and the University of Worcester Board of Governors on 23<sup>rd</sup> March 2009.

The selection of Galliford Try Investments Ltd was confirmed with the issue of the Preferred Bidder letter on 26 June 2009.

### **1.2 Final Scope**

The Worcester Library and History Centre (WLHC) will provide a world class facility for the city of Worcester providing:

- a landmark building of striking design;
- a location that provides direct links to both the city centre and the University of Worcester (the University) campus;
- a library that fully integrates public and academic stock and library services, the only example of its kind in Europe;
- the inclusion of a range of other public services in one place, providing access to the archives held by Worcestershire County Council (the County Council) and archaeology services together with the Worcestershire Hub Customer Service Centre;
- a building of exemplar standards of environmental efficiency.

The project objectives established prior to the OBC remain unchanged and the Project Partners firmly believe the proposals developed by the chosen Preferred Bidder, Galliford Try, will fully support meeting these objectives.

### **1.3 Procurement Process**

The Project Partners have undertaken a robust selection process to identify the preferred bidder following the OGC/Treasury guidance on the Competitive Dialogue procedure.

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A strong response was received to the OJEU Contract Notice which was placed in December 2006. Following a successful bidders open day, six consortia submitted Pre-Qualification Questionnaires (PQQ) and Request to Participate in Competitive Dialogue (RPCD) documents in March 2007.

Two consortia failed the PQQ stage. The evaluation of the four remaining RPCD submissions produced a clear choice of three to be invited to participate in the Competitive Dialogue phase. The Project Partners issued an Invitation to Participate in Competitive Dialogue (ITPCD) in October 2007, following the approval of outline planning permission for the development and completion of contracts to acquire the land forming the site. The documentation included a carefully developed Detailed Design Statement which articulated clearly to the Participants the Project Partners ambitions for the project.

The three participants submitted initial bids in March 2008. At this stage the detailed evaluation process concluded that all three participants should be invited to enter the second stage of competitive dialogue. The dialogue period required a significant commitment from the Project Partners and the Participants. This process was a significant factor in the high quality of the Participants final proposals and the clear understanding of how to address the Project Partners objectives and aspirations.

The third placed participant was deselected following an interim evaluation phase in September 2008. Final tenders were invited in January 2009, with the final evaluation resulting in a clear choice of Preferred Bidder in Galliford Try Investments Ltd.

#### **1.4 Final Contract**

The Project Agreement is derived from the 2006 Building Schools for the Future (BSF) Standard Form Project Agreement with mandatory SoPC4 drafting. The Project Partners have agreed to the inclusion of elements of the 2007 BSF drafting where this better reflects the market position.

All derogations to the standard documentation have been reviewed and agreed by the Project's sponsoring department and Partnerships UK (PUK).

The Payment Mechanism is also derived from standard BSF/Partnerships for Schools (PfS) documentation, with adjustments to reflect the specifics of this Project. Galliford Try have confirmed their acceptance of the key principles of the latest draft of the Payment Mechanism.

## 1.5 Affordability

The Unitary Charge arising from the Galliford Try proposal is (confidential) per annum in April 2007 prices, a cost of (confidential) over the 25 year life of the contract.

PFI credits of £40.899m have been allocated to this Project by DCMS and the Department for Communities and Local Government (CLG). This equates to an annual annuity of £3.204m, with a total through life Revenue Support Grant of £79.835m. The first payment is programmed to start in October 2011, the service commencement date.

The Project Partners have confirmed their commitment to fund the balance of the Unitary Charges over the 25 years. An initial upfront payment of £8.1m, as agreed with Treasury/PUK at the time of the OBC is planned. The remaining annual contribution, to be funded in agreed proportions by the Project Partners, is (confidential) (at 2007/08 prices).

## 1.6 Value for Money

An updated value for money (VFM) assessment has been completed due to the significant changes in funding terms since the time of the OBC. Despite the impact of increased finance costs, the PFI costs have benefited from a more competitive final tender price from GT.

The result of the updated quantitative VFM analysis has confirmed that the PFI option continues to provide better VFM than the Public Sector Comparator option at the 13% and 15% Internal Rates of Return (IRR). HM Treasury guidance states that VFM should be based on the level of IRR that best reflects the sector or the particular risk characteristics of the Project. GT are targeting a 13% level of IRR and therefore the conclusion is that the PFI option does offer better VFM.

The remaining risk to both affordability and VFM relates to the finalised costs of finance; funders terms and the long term swap rate. Despite recent increases in the swap rate the financial model retains a buffer of 0.35% compared to the rate available at the time of writing this FBC (4.4%). The overall cost of debt would need to rise by a further 0.5%, in addition to the current buffer, before the VFM of the PFI option became neutral compared to the PSC at the 13% IRR level.

## 1.7 Accounting Treatment

A review of the likely budgeting balance sheet treatment in the National Accounts, based on the European System of Accounts 95 has been

undertaken. This has identified that the Project would be regarded as off the balance sheet in the National Accounts.

### **1.8 Programme to Financial Close**

A detailed work programme has been agreed between the Project Partners and Galliford Try to reach financial close in late October. The final endorsement of the project including delegated approval for the signature of the Project Agreement will be sought from the County Council Cabinet on 28 September 2009.

There remain two high risks to the Project delivery. As discussed in the VFM section above, the funding terms for the contract are not yet finalised and there is a risk that these will impact on the affordability and VFM of the project. The Project Partners currently hold a buffer level in the funding model to mitigate the risk and are keeping the issue under regular review.

### **1.9 Statutory Process**

Detailed planning approval for the WLHC was obtained on 23 July 2009. Negotiations are well advanced on the remaining consents and approvals required for the Project.

### **1.10 Governance Arrangements**

The project governance arrangements were well established at the time of the OBC and have remained in place as the Project has developed. Core to this is the direction provided by the Project Board and the delivery of the main programmes of work through the Joint Project Team, which is comprehensively resourced by all relevant service managers, an experienced Project Manager and appropriate technical and financial support.

Arrangements for the ongoing governance of the WLHC once it is operational are well developed. A partnership structure has been agreed and a range of workstream groups are developing the detailed proposals for the management and delivery of services.

The County Council will be the sole signatory to the PFI Project Agreement with a Stakeholder Agreement developed between the two Project Partners which will be signed in advance of financial close. This agreement will govern the way the two bodies work together and share responsibilities covered by the Project Agreement. A jointly funded PFI contract manager will be appointed to manage the relationship with the PFI contractor.

## **2. Final Scope**

### **2.1 Introduction**

The WLHC will be a ground breaking development in terms of the services it will offer to the public, set within a unique, landmark building in the centre of Worcester.

The Centre will be the first of its kind in Europe and will provide a rich resource for the whole community of Worcestershire and beyond. In the building there will be:

- A fully integrated public and university library
- Worcestershire Record Office
- Worcestershire Historic Environment and Archaeology Service
- Worcestershire Hub Customer Service Centre

The Centre will operate as a partnership between the County Council and the University, supported by Worcester City Council and the Regional Development Agency, Advantage West Midlands (who provided funds to acquire land for the development).

The Project Partners will combine their skills and resources to provide a truly integrated library service to both the public and students. In addition the Customer Service Centre, to be relocated into the WLHC, is itself a partnership between the County Council and Worcester City Council. It will create a cultural, learning and information centre of excellence promoting life long learning, engendering social inclusion and raising aspirations in the broadest sense for the whole community, regardless of age, background, or ability.

The chosen site of the development is of critical importance, providing direct links to the city centre shopping areas and the second campus of the University which is currently under development. The site is also located near to the side of the River Severn, and so will provide a striking addition to the riverside landscape of the city. It has good public transport links and adjacent public parking. Appendix A provides a view of the site in the context of its surroundings.

The Council and University have been working in partnership on the development of this Project since October 2004 and both organisations are firmly committed to the development of a world class facility.

## 2.2 Original Objectives of Project

The WLHC will bring together a unique collection of public services in one place and will provide its customers far more than existing service arrangements can offer.

The following project objectives were developed by the Joint Project Team (JPT) and approved by the Project Board prior to the completion of the OBC. These have remained unchanged throughout the project development.

***i. Create a ground breaking development that will be a model of good practice to other projects around the world***

*The WLHC will provide its users with a completely modern approach to the delivery of integrated Library, cultural and information services. The project redefines the provision of these services, recognising that public and university libraries share a single vision and serve a shared community. It will also be an international leader in partnership working.*

***ii. Build successful partnerships that are of benefit to the wider community***

*To achieve a successful partnership we will be flexible and open to change so that the long term relationship of the County, the City and the University is one that grows and thrives. It is vital to the project that it provides excellent value for money.*

***iii. Regenerate the St Clement's Gate area of the City of Worcester and be part of the creation of a dynamic learning and cultural quarter***

*The WLHC is at the heart of the St Clement's Gate regeneration, adjacent to a vibrant city centre university campus. Leadership from the City Council in redefining their vision for Worcester, and partnership with the Hereford and Worcestershire Chamber of Commerce to create support and training for business, will also contribute significantly to the achievement of the Regional Economic Strategy.*

***iv. Raise aspirations and reach new people***

*At the heart of this development will be innovative provision for all members of the community, including children and young people.*

*Visitors will be inspired by worlds of imagination and information opened up by a range of resources and events and activities across the year.*

*The distinctive identity and needs of young people will be recognised and the WLHC will provide relevant and attractive materials for them.*

*'Even the most misfitting child  
Who's chanced upon the library's worth,  
Sits with the genius of the Earth  
And turns the key to the whole world'*

***Ted Hughes, 1997***

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### **“Frameworks for the Future”**

*Extending out to the wider region through a learning and cultural network encompassing schools, the Further Education (FE) colleges and the community networks, the WLHC will offer easy and supported access to learning opportunities and resources for all ages.*

#### **v. Ensure that the design achieves a landmark building which is fit for purpose**

*The best design creates buildings that are loved and a source of pride for the community. Landmark buildings can contribute to regeneration by creating a destination for visitors and a natural meeting place for citizens. The WLHC seeks to achieve both of these objectives, within a building that is able to respond to changes in service need and technological development over time. It will be a ‘bridge’ between the University and the City, encouraging people to move between Campus, Library and City centre easily and comfortably.*

#### **vi. Create a facility and services that are positively welcoming for everyone**

*We know that public buildings can sometimes be daunting. The WLHC will be positively welcoming through good physical design, and through the support, guidance and training which might be required to assist the entire community in making the most of the opportunities and information available.*

#### **vii. To improve the quality of life for individuals and communities**

*By bringing the University and public library together, along with the history centre and customer service centre, we will be creating a completely new way of providing these services: they will be re-defined. This major public provision will contribute to the well-being of the whole community through open access to integrated information and cultural resources, with exhibitions, meeting rooms, social space, quiet reflective areas, all within a building alive with innovative technology for creation, motivation and learning.*

#### **viii. Innovation in service delivery and development**

*The WLHC will develop new models of complementary and innovative service while fully meeting regulatory Standards and frameworks. The flagship nature of the development in environmental sustainability, with its conscious striving for as near carbon neutral service delivery as possible, will encourage others to equal, and perhaps exceed, our performance.*

#### **ix. To enhance regional identity by developing pride in our history and current achievements**

*This has two aspects: to connect with our shared past, and celebrate contemporary achievements. The WLHC is uniquely Worcestershire, although it will serve a much wider community. The centre will therefore enrich the community experience of history and heritage, while at the same time, finding ways of showcasing contemporary regional skills and produce.*

#### **x. To be driven by the needs and aspirations of the communities it serves**

*The WLHC recognises that its stakeholders include its users, its staff, and those it has yet to reach. Throughout the concept development and beyond, the genuine consultation and involvement of them all will be a central feature of the project.*

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It was against these objectives that the process of selection of a Preferred Bidder was measured. The Project Partners firmly believe that these objectives can be delivered and that the choice of Galliford Try as the PFI contractor will very positively contribute to their successful realisation.

### **2.3 Services Provided at the Centre**

The WLHC will be organised in a series of zones defined by activity rather than physical content. Each zone is regarded as a flexible entity which will change during the life of the building. This concept was developed at the time of the OBC and is maintained in the final project plan.

Upon entering the Centre, customers will easily be able to orientate themselves through the visibility of all floors from the central atrium. The arrangement of services has been carefully designed after extensive dialogue between Galliford Try and the Project Partners to ensure an optimal solution for all customers. Adjacencies of services have been meticulously considered and designed for.

At the ground level, there will be access to a number of zones: quick access, the Worcestershire Hub, Children's Zone and meeting/function spaces. On other floors will be the History Zone, General Lending and Young People Zone. Differentiated study zones are provided throughout the building, to provide appropriate space for individual, group, enquiry based, social learning and social styles of study.

Library services will be provided in a fully integrated delivery, with the book stocks of the University and Public Library being available to all users. The Library will provide 7,274 linear metres of shelf space for 250,000 books. 560 permanent study spaces will be provided with a minimum of 300 PCs provided for free public and student use.

The History Centre will bring together in one place all the archival material held by the County Council and access to archaeological services. The County Council does not currently have sufficient archive space to accommodate all its records within its Record Office, with a substantial proportion stored outside the County. These records will be brought back into the Centre and therefore providing 8 miles of document archive easily accessible to the public. The Historic Environment and Archaeology Service will provide access to 23,000 records of archaeological sites and historic buildings in the county.

The Worcestershire Hub is a well established partnership between the County Council and the 6 District Councils within the County. The aim of the service is to provide a single point of contact for all council services and to

deal with enquiries fully at the first point of contact. Local Customer Service Centres exist in all key towns. Some local centres involve partnerships with other public sector bodies such as police and town councils. The Customer Service Centre in Worcester will relocate to the WLHC, providing access to a wider range of public services in one location. The accommodation for the Service Centre provides some capacity to include other agencies, thus providing a wider range of one stop customer services.

The WLHC will provide a range of meeting and exhibition spaces including a 110m<sup>2</sup> multi-function room capable of accommodating up to 50 delegates and 7 other meeting rooms. In addition, a café will be provided by the PFI contractor at the lower ground level providing access to a terrace area.

The scope of the final solution fully meets the criteria set out in the OBC. This is a reflection of the very careful work put into the concepts of the project and the early involvement of key stakeholders in this development.

#### **2.4 Involvement of Service Users and Other Stakeholders**

Throughout the project development and procurement phases there has been very detailed involvement of service users in the process.

The Joint Project Team includes all the key managers who will be responsible for service delivery once the WLHC is operational. Their input was fundamental in the development of the Detailed Design Statement and the Output Specifications that were issued as part of the Invitation to Participate in Competitive Dialogue. An extended period of bidder interactions during the dialogue phase involved regular input from JPT members, who also led the various evaluation teams in the selection of the Preferred Bidder.

The evaluation teams also comprised a wider group of staff from the County Council, University and Worcester City Council. Technical evaluation teams also involved the United Kingdom Climate Impact Programme (UKCIP), an Access Group including representatives of the Worcestershire Association of Service Users and the Worcester Civic Society.

From an early stage in the project a Stakeholder Advisory Forum (SAF) was established. The SAF provided a vehicle to seek feedback and views from wider groups with an interest in this project. It has met at key stages of the project development. The terms of reference for this group were provided within the OBC. Its invited membership covers the following:

- Public Service Users, Students, AWM, Public/Professional Bodies, Museums, Libraries and Archives, National Archives, Arts Council, Government Office, Trade Unions, Worcester City Leisure and Recreation, FECs and Schools, Chamber of Commerce, County Council: Children's Services and Adult & Community Services, Learning and Skills Council.

Consultation with end service users has been commissioned at various stages of the project to date. A summary of these consultation exercises is provided in Appendix B.

## 2.5 Design of the Centre

The OBC included a set of design objectives upon which the selection of the preferred bidder was made:

- *To achieve the highest possible quality in the final design solution*
- *To secure a landmark building, which will make a significant contribution to the regeneration of Worcester*
- *To create an open and inviting "destination", drawing in the community from the widest possible area*
- *To be "fit for purpose", to be flexible and adaptable and be able to respond to changes in technology and demand in order to successfully deliver a wide range of services*
- *To be aesthetically pleasing*
- *To be environmentally sustainable*
- *To be affordable and value for money*

The chosen design solution from Feilden Clegg Bradley Studios, architects for Galliford Try, successfully meets these criteria. With a gross internal floor area of 11,667m<sup>2</sup>, built over 4 levels, the building will be clad from first floor level in a distinctive gold cladding with red brick to ground. The building will achieve exemplar levels of environmental performance, meeting the high aspirations set out by the Project Partners in their ITPCD documentation.

Sample images of the interior of the library are included in Appendix C.

The scheme includes potential for additional commercial development to be included on the site. This will add vibrancy to the area and has been designed to provide a backdrop to the WLHC development. Although detailed planning approval has been given for this development, as a result of the current economic climate this will be progressed to a separate timescale to the WLHC project. The commercial development has no impact on the business case for WLHC and is outside of the PFI contract.

The final evaluation report to the Project Board noted the following about the Galliford Try design solution:

*Galliford Try's original concept was of a Library and History Centre accessed from a specially created street to the east, linked to the bridge over the Butts and fronted to the west by an ecologically landscaped public open space. This concept was developed progressively through to the final submission. The design is, as a consequence, very well resolved and meets the project objectives in every respect.*

*The principal distinguishing features that set this building apart from its competitor and warrant its selection as preferred bidder are:*

- *Distinctive and memorable architectural form which enhances the sky line and western edge of the City*
- *Integrated commercial activities, which add liveliness to the area and further the concept of WLHC as a destination for everyone.*
- *Clear internal organisation that integrates services but also maintains their separate identities.*
- *A variety of study scenarios for students and public alike which range from an informal open social study area on the ground floor to an enclosed formal study space occupying the top floor.*
- *An interior design which exploits volume and light to create a lively range of individual but related spaces, exemplified by the Children's library*
- *A holistic approach to environmental sustainability which includes a novel but inherently simple low energy approach to cooling the building by using river water.*
- *High quality public open space which enhances the urban ecology and the City's pedestrian networks.*

### 3. Procurement Process

#### 3.1 Procurement Timetable

Following the PRG approval of the OBC on 21 November 2006, a robust procurement process was instigated following the OGC/Treasury joint guidance on the Competitive Dialogue procedure.

The timetable below shows the key dates in the procurement process. In addition Appendix D, The Story So Far, describes in more detail the Project's overall development to date.

Activity	Dialogue Stage	Date
OJEU Contract Notice	--	Dec 2006
Bidders Conference	Informal Interaction	January 2007
Issue of PQQ/RPCD	Commence Pre- Qualification	January 2007
Receipt of PQQ/RPCD	Stage 1a	March 2007
Evaluation of PQQ/RPCD Commences	Stage 1b	March 2007
Bidder Clarifications	Stage 1c	May 2007
Issue 2 <sup>nd</sup> stage ITCD documentation (The Descriptive Document) to reduced number of bidders (3 No.)	Competitive Dialogue Commences Stage 2a	October 2007
Further Bidder Consultations	Dialogue Stage 2b	Nov/Dec 07 Jan 08
Submit Initial Bids		February 2008
Examination of Initial Bids	Dialogue Stage 2c	Mar/Apr 2008
Detailed Dialogue	Dialogue Stage 2d	May/June/July/Aug 2008
Documents submitted for Interim Evaluation		19th August 2008
End of interim evaluation		12 Sept 2008
Third place Participant deselected		26 Sept 2008
Dialogue with remaining two Participants		Oct/Nov/Dec 2008
Request Final Tenders	Dialogue Concluded	28th Jan 2009

Submission of Final Tenders		2 <sup>nd</sup> Feb 2009
End of Final Evaluation	--	27th February 2009
Preferred Bidder letter issued	--	26 <sup>th</sup> June 2009
Contract Close	--	October 2009
Start Construction	--	November 2009
Service Delivery Date	--	October 2011

The programme to financial close has slipped by 11 months compared to the programme as stated in the OBC. This delay is related to two significant factors:

- **Delay of 4 months in issue of ITCD documentation to shortlist of 3 bidders.** The Project Partners experienced significant difficulties in securing one section of land required for the project. The owners of an existing electronics business on the site were unwilling sellers and a Compulsory Purchase Order was initially entered into. A negotiated settlement was, however, eventually reached allowing the procurement process to enter the next stage with certainty over land availability.
- **Detailed dialogue extended further than originally programmed.** The CD process is still relatively new for all parties and this is the first procurement exercise the Project Partners have entered into under this process. It became evident that more time was required to resolve issues with the Participants. During the summer of 2008 the Project Partners also decided to introduce a new stage, an interim evaluation, from which one bidder was ultimately de-selected. The lack of project specific standard documentation led to the use of BSF standard contracts. This inevitably led to further work to adapt the terms to suit this project.

### 3.2 Procurement Process

The procurement process started with the placement of an advertisement in the European Journal back in December 2006. In response to our advertisement, 48 companies wrote to express a formal interest in the project. These companies were then invited to a Participants Open day held on 17th January 2007. The open day was very well attended.

Following the Participants open day, Pre-qualification Questionnaires (PQQ's) and the Request to Participate in Competitive Dialogue (RPCD) were issued to those companies who continued to show a formal interest. These required the potential Participants to answer a number of questions regarding their financial standing, their technical ability and their experience in PFI contracts. These had to be returned by the 20th March 2007.

Although the questions that the Project Partners were allowed to ask in the PQQ were limited by European Law, the RPCD did allow us to ask more detailed questions in other areas such as design, innovation, health and safety, as well as workforce matters such as their policies for the transfer of staff etc.

Six consortia submitted pre-qualification submissions. The assessment and marking of these pre-qualification documents (against a pre-determined set of criteria) was completed in March 2007 with the Participants who submitted formal responses ranked. Two consortia failed the PQQ stage.

Our advertisement in the European Journal indicated that we would establish a shortlist of three Participants as this was considered to provide the best overall strategy with a balance between encouraging Participants to make a significant and concentrated commitment to the project and maintaining sufficient competition throughout.

The RPCD evaluation ranked the 4 remaining submissions; from this a clear shortlist of 3 was identified. Interviews took place with the 3 before approval was obtained from the Project Board and the Project Partners decision making bodies. The 3 shortlisted participants were:

- Alfred McAlpine (Carillion)/Kajima (AMK)
- Information Resources (Kier led)
- Galliford Try

Formal feedback was provided at this point to the unsuccessful participants.

On the 9th October 2007 the Project Partners issued the Invitation to Participate in Competitive Dialogue (ITPCD) to all three Participants. This documentation included a Detailed Design Statement, the Output Specification as well as draft contracts (the Project Agreement and Payment Mechanism). The documentation also included more than 70 questions or submission requirements, against which each Participant was required to provide a detailed answer. These were divided into five main sections: Improving Services to Customers, Legal, Financial, Design and Project Management and Facilities Management.

The Participants were requested to submit a compliant bid which provided the accommodation required for all aspects of the WLHC. In addition to this, the site Outline Planning Permission allowed the Participants to propose commercial developments of up to 4,500 square metres, which would enhance the setting of the WLHC and add to its attraction as a destination. It is also anticipated that the commercial element would also assist in meeting the aspirations of AWM and the City Council to see this site contribute to the overall regeneration of the St Clements Gate quarter.

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This process led to the Participants submitting their detailed proposals on 12th February 2008. Following formal presentations of the bids, the Initial Evaluation process commenced.

The Project Partners made use of an Award software package, which allowed individual evaluators to input their marks on-line using a collaborative web-based evaluation model. This allowed a significant number of individuals to take part in various evaluation teams, and for the marks from each team to be entered remotely, but co-ordinated centrally by the PFI office. This tool allowed the widest possible participation in the evaluation.

Teams were formed from the University, County Council and City Council who looked in detail at the proposals for the Library, History Centre and Hub. In addition, teams from the Partnership evaluated the design, technical and facility management proposal alongside our technical consultants Mott MacDonald and Faulkner Brown. This technical work was supplemented by evaluation undertaken by the United Kingdom Climate Impact Programme (UKCIP), an Access Group that included representatives of the Worcestershire Association of Service Users (WASU) and the Worcester Civic Society who provided a much-valued external perspective.

The submissions were evaluated against the predetermined criteria under the following sections, where each section was given a weighting in the overall score as follows:

<b>Evaluation Section</b>	<b>Weighting</b>
Improving Services to Customers	15%
Legal	10%
Financial	15%
Design and Project Management	45%
Facilities Management	15%

The Project Partners' commissioned advisors, Trowers and Hamblins and Ernst & Young, led the Legal and Financial sections of the evaluation respectively. The Partners own internal financial advisors have also considered the financial details and provided input to the scoring in this section.

The initial evaluation was reported to the Project Board in May 2008. The results at this stage provided a ranking but with scores overall relatively close. When the ITPCD documentation was issued criteria was set for the

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selection process to this stage. This determined that the 3<sup>rd</sup> placed participant would be deselected if the score was more than 10% lower than the highest score. As this was not the case all three participants were invited to enter the second stage of competitive dialogue.

In September 2008, an interim evaluation of updated participants' proposals was made, using the same evaluation process as at the interim stage. At this stage the updated scoring revealed a wider margin and as a result the third placed participant, Information Resources, was deselected.

Final tenders were invited from the remaining two participants in January 2009 and a final evaluation was undertaken with scoring updated where appropriate from the earlier evaluation phases. As a result of this a clear first choice was identified in Galliford Try. The table below summarises the final scoring:

<b>Evaluation Section</b>	<b>AMK Score</b>	<b>GT Score</b>
Meeting the Project Objectives		
Legal		
Financial		
Design and Project Management		
Facilities Management		
<b>OVERALL SCORE</b>	<b>confidential</b>	<b>82.60</b>

In all the evaluation sections, the ranking showed Galliford Try scoring highest, with the exception of the legal section where scores were very close.

### **3.3 Achieving Quality and Affordability**

From the outset the Project Partners set high aspirations for the quality of the WLHC, in its design, functionality and environmental credentials. A critical part of this process was the development of the Detailed Design Statement (DDS); a 150 page document that articulated to the Participants the Partners' thoughts on project design objectives and service concepts. This provided a means of evaluating the proposals.

The DDS identified benchmark buildings which were very carefully chosen by the JPT to illustrate their thinking on design and service development. It was clear from the early stage of dialogue that the DDS helped the Participants enormously in forming their plans and responding to the requirements.

Environmental requirements of the Project Partners were set high, using BREEAM 'excellent' as a baseline, with additional requirements including 50% renewable energy use, 50% reduction on Building Regulations Part L2 Co2 emissions and 30% recycled content for construction.

All these requirements were factored into the Project Partners affordability assessment. The net present value of the PFI project budget was provided to the 3 shortlisted bidders with a requirement that proposals must be submitted within this level. At all stages the submitted bids were within this cost envelope.

During the 15 month dialogue period all participants were offered an equal level of access to meet with the JPT, this equated to a very significant commitment from all parties. At these sessions the JPT encouraged Participants to develop more effective and innovative solutions. The expertise of the JPT's in-house full time senior architect in the role of Design Manager was vital to the process of guiding the JPT on the interpretation of complex drawings, environmental proposals and ensuring service requirements were adequately addressed by the design proposals.

The Project Partners are convinced that their approach to this process has produced a far higher performing building within our available budget than would have been possible through a more traditional procurement route.

### **3.4 Funding Competition**

Galliford Try selected Nationwide as their project funder following a competition held prior to the initial bid stage submission. As part of the Project Partners financial evaluation at the initial, interim and final bid stages the funder's terms from all participants were compared. Ernst and Young also reported on how the terms compared to those available generally in the PFI funding market in respect of projects of a similar size and nature. Whilst there were variances, it was concluded that the terms offered by Nationwide were on a par with the market and the competitors.

The Project Partners have advised Galliford Try that they do not at this stage require a funding competition and have recently received confirmation that the terms remain as included in the final tender. The Partners have stated they reserve the right to request a funding competition if it is considered the funding terms are not in line with the current market for projects of similar size and nature. This choice will take account of the impact the inevitable delay would have on the project programme.

## **4. Final Contract**

### **4.1 Project Agreement**

The Project Agreement between the Project Partners and the proposed Contractor has a 25 year contract term and is derived from the 2006 Building Schools for the Future (BSF) Standard Form Project Agreement with mandatory SoPC4 drafting. The Project Partners have agreed to the inclusion of elements of the 2007 BSF Project Agreement drafting in instances where this reflects the market position and has not unduly affected the project's risk profile, for example the use of the 2007 BSF Standard Form Collateral Warranties. A copy of the Project Agreement is available on request.

The Project Partners will also enter into a Funder Direct Agreement with the Funders and the Contractor. This document is based on the BSF standard form document.

The Project Partners are satisfied that the proposed contract terms accord with market norms. The Council and the proposed Contractor have adopted a pragmatic approach to comply with SoPC4 and BSF standard documentation except in a relatively small number of cases where there has been derogation for project specific reasons or to reflect the market position. All derogations have been reviewed and agreed by the project's sponsoring department and Partnerships UK. The Project Partner's are in the process of clarifying and confirming the commitments set out in the proposed Contractor's final bid and at this stage do not anticipate any further derogations. Please refer to Appendix E for details of the derogations agreed for the Project Agreement and Funder Direct Agreement.

In order to optimise the project's construction programme, the proposed Contractor will undertake preparatory enabling works prior to financial close. The Project Partners have followed SoPC4 guidance in developing and agreeing the scope of the enabling works and these works have been approved by the Project's sponsoring department and PUK. The enabling works will be subject to a separate contract between the parties and provisions have been included in the Project Agreement to ensure that the enabling works will be incorporated into this Agreement.

In order to maximise value for money and the project's affordability, the Project Partners will make a £8.1m capital contribution to the Contractor following the Services Availability Date. The project's sponsoring department and PUK have agreed to the inclusion of a capital contribution as part of the project and the associated drafting. The payment of the capital contribution is subject to certain safeguards and will not be paid if the Contractor or Funder is in default under the Project Agreement or Financing Agreements respectively.

## 4.2 Payment Mechanism

The Payment Mechanism sets out the contractual mechanism for payment for the services by the Project Partners. This includes the calculation and make up of the Unitary Charge, the indexation provisions and the calculation of any deductions resulting from the contractors failure to meet the service requirements.

The Payment Mechanism used in this procurement is based on the BSF/PfS standard form contract with adjustments to reflect the specifics of the Project.

The key principles of the performance and payment regime are as follows:

- There will be a single Unitary Charge for the services, which will not be made up of separate independent elements relating to availability or performance.
- The single Unitary Charge will only be paid to the extent that the service is available and performed as required and as such the Unitary Charge does not contain a fixed element that GT always receive irrespective of performance.
- The payment mechanism will make deductions for sub-standard performance, so that GT will be worse off than if the required service had been delivered. Deductions will reflect the severity and length of failure.
- Agreed planned maintenance will not result in an area being unavailable.
- The definition of availability concentrates on the core functions of the service to be provided by the provider and consists of objective criteria, so that it is clear to both parties whether or not they have been satisfied.
- The financial consequences of unavailability of an area will depend on the criticality of the space.
- Substandard performance of facilities management services will lead to service failure deductions.
- Failure by the provider to rectify the relevant failure(s) within the relevant rectification period will mean that an unavailability or service failure event has occurred and appropriate deductions will be made.

- Unavailability and service failure deductions will be subject to a ratchet, such that continued failure within the same area, will lead to progressively higher deductions.
- The principle of Critical Library Increment Function has been incorporated to reflect the critical need for certain areas (eg study spaces) within the facility at certain periods of time (eg exam periods). During these times the specified areas will be subject to a higher deduction to reflect their heightened importance at those times.
- Throughout the life of the contract consumption risk is passed to the contractor to a large degree. Where utilities consumption is +/-10% of the agreed annual target, the difference will be for the contractors account. Where any variance from the agreed annual target is greater or less than 10%, then cost of such a variance will be shared 50/50 between the contractor and the Project Partners. This is in line with the standard BSF payment mechanism position.

The Project Partners have developed a robust mechanism to ensure that the financial deductions arising from the practical implementation of these principles is both an incentive to the Provider to deliver, but is, at the same time, fair and equitable.

GT have confirmed that they accept the principles as drafted in the current version of the Payment Mechanism.

## **5. Affordability**

### **5.1 Update from Pre-Preferred Bidder FBC**

This section updates on the Affordability Position Paper prepared at the Pre-Preferred Bidder FBC stage in March 2009. The affordability analysis compares the total financial resources available to fund the Project with the unitary charge that the Selected Bidder (GT) is proposing to levy.

There are two changes to the affordability assessment of the GT tender since the Pre-Preferred Bidder FBC:

- Inclusion of a capital injection of (confidential) guaranteed by GT for the grant of a long lease of land for commercial development.
- An increase of £confidential in the total capital expenditure of the GT proposal resulting from fine tuning of the Project Partners requirements.

The PFI unitary charge for the Project will be met from the following sources:

- PFI credits;
- Project Partner contributions

The unitary charge from GT for the delivery of the services in accordance with the agreed output specification is (confidential) per annum (including utilities) in April 2007 prices. This equates to a total through life unitary charge of (confidential).

There is no phasing in of the unitary charge and it is assumed that 30% of the unitary charge is indexed annually using RPIx.

### **5.2 PFI Credits**

The Project has been allocated PFI credits of £40.899m. Assuming an interest rate of 6%, this equates to an annual annuity of £3.204m, with a total through life Revenue Support Grant (RSG) of £79.835m.

Should the Project gain approval from the relevant bodies, the analysis currently assumes that the first payment to GT, and therefore the first RSG instalment, will be made in October 2011 when it is assumed that the WLHC will become operational.

### 5.3 Other Funding Contributions

The bid from GT also contains a guaranteed sum of (confidential) in lieu of the proposed commercial development (hotel / retail) associated with the Project, and a sum of (confidential) injected by GT as a deferred contribution in lieu of the proposed sale of 50% of their equity stake in the Project on or before the services commencement date. This has also been discussed and agreed with PUK. These sums will be paid to the PFI Special Purpose Vehicle by the Project Partners at Service Commencement.

### 5.4 Partner Contributions

The Project Partners intend to make an upfront capital contribution for the Project of £8.1m, one month after service commencement. This was agreed with Treasury / PUK at the time of the approval of the OBC in November 2006.

The shortfall between the total through life Unitary Charge from GT's financial model ((confidential), which takes account the planned capital contributions to the Project) and the total through life RSG (confidential) of approximately (confidential) (i.e. the total funding gap) will be met by the Project Partners, in agreed proportions.

<b>PFI Credit</b>	<b>£40.899m</b>
<b>Affordability</b>	<b>2007/08 prices £m</b>
PFI Unitary Charge	confidential
Revenue Support Grant	
Affordability / Funding Gap	
Met by:	
Partner Contributions	

Note: Table above assumes that the initial annual contribution from the Project Partners is indexed annually from 1st April 2007 by RPIx (assumed 2.50%). Within GT's model it has been assumed that only 30% of the Unitary Charge increases annually with inflation.

The total partner contribution required of (confidential) is marginally within the affordability parameter established by the Project Partners Shadow Tariff Model of £confidential, as reported in the Stage 1 FBC. The annual contribution required from the Project Partners in 2007/08 prices to cover this funding gap is approximately (confidential). This is within the affordability envelope approved by the Project Partners at the shortlisting stage of (confidential) (07/08 prices).

The Joint Project Board, County Council Cabinet and University Board of Governors have received regular reports regarding the progress of the procurement and its financial implications and they have reconfirmed their commitment to the programme through their endorsement of the evaluation process and acceptance of the Preferred Bidder. Final endorsement and delegated authority to complete financial close will be sought from these decision making bodies subsequent to the submission of this FBC. A copy of the most recent County Council Cabinet minute confirming the financial support for this project is attached as Appendix F.

### **5.5 Outstanding Affordability Risk**

The only remaining risks to the affordability of this project surround two funding issues:

- Upward movement in swap rate – current affordability is based on a long term swap rate of 4.75%, including a buffer of 0.35% on the actual rate at the time of writing this FBC.
- Upward movement in funder's margins – GT's funder (Nationwide) has recently re-confirmed the term sheet supplied with the final tender remains valid. Given the current position in the market, however, funders are unwilling to finalise these terms until shortly before financial close. There is therefore a risk of cost increases beyond the existing level of affordability.

## 6. Value for Money

The Project Partners can confirm that the Project has continued to adopt the revised HM Treasury Value for Money (“VFM”) guidance (issued August 2004 and updated November 2006) (“the Guidance”) for the assessment of VFM.

The guidance states that ‘ where during Stage 3 there is a significant increase in costs of the PFI option, over and above the original forecast costs, procuring authorities will be required to revisit the Stage 2 assessment’ (HM Treasury Value for Money Guidance, 2006: clause 1.21).

In light of the recent volatility in the funding market, the quantitative VFM analysis for the Project has been updated for the purposes of the FBC submission to reflect the latest funding rates available. In addition to amending the funding margins and the long term swap rate assumptions to reflect the current market / funder term sheet for the Project, the PFI and PSC construction and operating costs have also been amended to reflect the Preferred Bidder’s cost base and current market / inflation expectations.

The results of this updated quantitative VFM analysis are summarised in the table below:

IRR Percentage	Crude PFI VFM
13% IRR	2.53%
15% IRR	1.40%
18% IRR	-0.32%

The above analysis shows that, when targeting an IRR of 13% and 15%, the PFI option is better VFM than the PSC option, whereas under an 18% IRR scenario the PSC option marginally offers better VFM.

In accordance with the Guidance, the conclusion regarding VFM should be based on the level of IRR that best reflects either sector specific experience or the particular risk characteristics of the project. GT are targeting an equity IRR of 13% and therefore the PFI option still reflects VFM on this basis.

The significant increases in funding terms since the OBC stage (average funder margins have increased from 0.93% in the OBC VFM model to 2.21% in the FBC VFM model to reflect the latest term sheet from GT’s funder) have reduced the potential VFM of the PFI option for the Project. However, the reduction in the long term swap rate assumptions (from 5.33% at the OBC stage to 4.75% in this FBC, reflecting the rate at the time of writing, including a 0.35% buffer) and the proposed deferred contribution of

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(confidential) from GT (in lieu of the sale of 50% of their equity stake in the Project at construction completion, as discussed and agreed with PUK) have sufficiently off-set this impact to allow the VFM position of the Project under the PFI option to be maintained.

## 6.1 VFM Model Sensitivities

The Treasury VFM model allows a variety of sensitivities on cost assumptions to be performed by using indifference buttons in the summary sheet. However, this analysis has not been re-run as part of the FBC because significant movements in the costs of the PFI project are not permitted at this post competitive dialogue completion stage.

Instead sensitivities regarding the long term swap rate and overall cost of debt were performed to ensure that the VFM of the Project as a PFI option would be maintained, notwithstanding a degree of movement in the cost of finance between FBC and financial close.

The sensitivities performed demonstrate that the overall cost of debt would have to increase by 0.5% before the Project Partners became indifferent at the 13% IRR level between whether the Project should be procured as a PFI or procured traditionally. This is in addition to the 0.35% buffer already contained within the long term swap rate assumption in the FBC VFM model of 4.75%.

As part of the updated VFM analysis contained in this FBC, the Project Partners confirm:

- A high level of competition was maintained with the Bidders through the Competitive Dialogue stages prior to a single bidder being selected.
- The procurement process has been undertaken free of market abuse to the best of its knowledge.
- The risk transfer position has not altered significantly and was strengthened contractually through the adoption of the Standardisation of PFI Contracts standard form contract as published by HM Treasury.

The anticipated financial close date per the OBC was November 2008. Financial close is now scheduled for late October 2009, although, as part of their Final Bid, GT have confirmed that their price will be held until 31 December 2009. The project timetable is set out in Section 3 of this report.

## 7. Accounting Treatment

The Project Partners have received an accounting review from their financial advisors, Ernst and Young, on how this project should be treated in the National Accounts, based on the standards set out in part IV of the European System of Accounts (ESA) 95 Manual of Government Deficit and Debt (MGDD).

The analysis concluded that the assets to be constructed would appear to fall under the scope of MGDD and the HMT Technical Guidance. The County Council confirm its agreement with the conclusions of this review.

Assets should be classified as off balance sheet for government if both the following are met:

- a) the contractor bears the construction risk and;
- b) the contractor bears one of the risks of availability and demand risk.

A summary of the assessment of risks is shown below:

<b>Risk</b>	<b>Responsible Party</b>
Construction Risk	Contractor
Availability	Contractor
Demand	County Council
Residual value	Not relevant

On the basis that the Contractor is responsible for both the construction risk and the availability risk, the analysis under MGDD suggests that for the purposes of National Accounts the project assets would be off-balance sheet for the County Council.

## 8. Programme to Financial Close

A detailed work programme has been developed and agreed between the Project Partners and Galliford Try up to financial close which is planned for 27 October.

The following table summarises the programme of activities up to financial close:

Activity	Date
Preferred Bidder Letter Issued	26/06/2009
GT sign PB letter	15/07/2009
Planning Committee approval of WLHC application	23/07/2009
Submit FBC	21/08/2009
WCC Cabinet Meeting	17/09/2009
UW Governors Meeting	28/09/2009
Initial Confirmation of PFI Credits	28/09/2009
Final Confirmation of PFI Credits	06/10/2009
WCC/UW sign Partnership Stakeholder Agreement & Land Trust Deed	19/10/2009
Judicial Review ends	27/10/2009
Financial Close	27/10/2009

Prior to the completion of the main PFI contract, a package of enabling works will be undertaken by Galliford Try, with a value of around £confidential. These works will involve site preparation, including demolition of remaining buildings (two buildings already demolished by the Project Partners), ground contamination works and archaeology under the buildings to be demolished. This work will support the de-risking of the works prior to the PFI contract and has received prior approval of DCMS and PUK.

### 8.1 Project Risks and Mitigation

The following table is extracted from the detailed project risk register and identifies the remaining project risks, how they are mitigated and current progress:

Risk Description	Prob-ability	Impact	Status	Mitigation	Current Progress	Owner
<b>Finance</b>						
Funding terms/swap rates rise	M	H	Red	Monitor market, include adequate buffer, seek to finalise funders terms early/funding competition	Swap rate buffer of 0.75% at time of final tender eroded by upward movement in swap rate. Additional buffer added, additional funding approval required	Project Board
<b>Site &amp; Construction</b>						
Public footpath closure required during construction	H	H	Red	Seek authority from Govt Office North East, thorough preparation and regular liaison	Liaison continues, application in progress	Galliford Try
Quantification of site remediation works under property still to be demolished (Coombers and Joseph Woods Office)	L	H	Amber	Survey site, budget provided for potential works	Ground investigation indicates little contamination	IP/MottMac
<b>Programme</b>						
Archaeology works delay start on site	L	H	Amber	Undertake Archaeology mitigation early	Majority of archaeology completed, limited risk of significant works	Design Manager
<b>Project</b>						
Commercial development does not happen, wider project vision not delivered	M	L	Green	No impact to WLHC development, GT to identify developer	Discussions with a number of interested developers in progress	Project Manager

As can be seen from the above table, the key remaining risk concerns the funding terms of the PFI contract. Recent upward movements in the swap rate have eroded some of the buffer included at the time of the final tenders in March 2009. At that time the swap rate was around 4.0%, the Project Partners added a buffer of 0.75% to provide a greater margin of safety for affordability. The buffer level at current rates is now 0.35%. If the final swap rate secured for this contract was to be above 4.75% this would present an affordability issue for the Project Partners.

The last 18 months have seen significant increases in funders' margins for PFI contracts generally. This has impacted on affordability, albeit these costs have been managed within the existing affordability envelope to date. There remains a risk that Galliford Try's funder will increase the terms offered from those included in the final tender in February 2009. This again may lead to a requirement to seek further funding approvals to support the project.

## 9. Statutory Process/Consents

The following statutory consents have been obtained, following approval of the detailed planning application considered by Worcester City Council Planning Committee on 23 July 2009:

- Full Planning Consent - no. P09 D0169 Development of the Library and History Centre
- Water abstraction consent - no. P09 D0168 Installation of Water Abstraction and Discharge Unit
- Conservation area consent - no. L09 D0032 Demolition of Part of the Former Offices of Joseph Woods.

The Preferred Bidder is required to obtain Building Regulations approval and also Scheduled Monument Consent for works adjacent to the City Wall. Negotiations on both these are well advanced, with progress being reviewed at regular meetings attended by the Project Partners Design Manager.

## 10. Governance Arrangements

### 10.1 Project Management Structure

The project governance arrangements for this project were well established at the time of the OBC and have provided an effective mechanism to move this partnership project forward in an orderly manner.

The ultimate decision making bodies within the two main partner organisations are the County Council's Cabinet and the University's Board of Governors. Information flowing to these high level bodies is processed through the Chief Executives of the respective organisations. These bodies have made the key decisions at a number of milestones within the project programme. These key decisions have been identified by the respective Chief Executives, in consultation with the two joint Project Owners and the WLHC Project Board.

A Project Governance Structure chart is attached in Appendix G This appendix also includes a current membership list of each body.

In order to ensure that all strategic and local partners are kept fully informed on the project, the Chief Executives formed a Strategic Partnership Executive, to oversee and steer the project. This strategic group ensures the project meets the aspirations of all the partners and brings together the co-ordination of the redevelopment and regeneration of the wider St Clement's Gate area of Worcester.

A Project Board has been established for the WLHC. This Board represents the interests of the main partner organisations and provides the overall direction and management on the project. The Project Board has both responsibility and authority within the Terms of Reference agreed, as set out in the OBC. The Project Board is chaired by one of the Project Owners, working in rotation.

The project has Joint Project Owners. They are Dr Martin Doughty, Pro Vice Chancellor (Resources) from the University and Patrick Birch, Director of Corporate Services from the County Council.

The Project Owners role is to:

- Provide overall sponsorship and leadership for the project.
- Promote the project and liaise with members, governors, stakeholders and external bodies.
- Chair the Project Board (in rotation).
- Support the JPT on key issues.

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- Identify and secure a properly resourced team.
- Manage key issues on the project, including identifying issues for reference to the respective Chief Executives.

## **10.2 The Joint Project Team**

The two main partners appointed a single experienced Project Manager, Peter Parkes, to lead the Joint Project Team (JPT). The prime responsibility of this post is to ensure the project delivers to the required standards of quality and within the specified constraints of cost and time.

The Partners established a JPT in order to carry out the day-to-day activities needed to deliver the project. The team includes relevant professional, technical, financial and organisational skills drawn from within the in-house organisations. Where necessary, these skills have been supplemented by the appointment of external consultants who have supported the JPT. The Terms of Reference for the JPT remain the same as stated in the OBC.

In addition to the various management bodies noted above, a Stakeholder Advisory Forum was established to represent the views of the various Stakeholders associated with the project. This forum meet on a regular basis to help enhance the communication structures within the project and to provide feedback on the views of Stakeholders to the Project Board. Again, the terms of reference for this group remain as stated in the OBC.

## **10.3 Management of the Project**

The day-to-day project management is undertaken by the JPT, who are empowered to make decisions in order to progress work to the required project programme.

Detailed action plans (known as Project Execution Plans) were developed for each phase of the PFI project. These indicated the activities to be completed and the resources needed to reach a satisfactory conclusion on any particular phase.

The JPT have met at least 4 weekly (or as deemed necessary) to establish progress and to work jointly on key issues. Action points were formally noted and circulated within the team. JPT members lead and facilitate the completion of identified tasks through the establishment of Workstream Groups. The JPT are responsible for reporting to the Project Board at appropriate intervals.

A formal change control procedure has been implemented for all controlled documents on the project. In particular, procedures have been put in place to control procurement processes, including consultants and PFI contractors. This ensured that appropriate documents have been tracked, monitored and controlled to ensure a robust audit trail of decisions taken. During the dialogue phase clarifications were raised using a standard template via the Project Office where a log providing the status of all issues was maintained.

The allocation of roles and resources on the project is as follows:

Title	Name	Role
Project Owners	Patrick Birch, Director of Corporate Services and Dr Martin Doughty, University Pro Vice Chancellor (Resources)	Senior Management representatives of the two main Partner organisations. Responsibility for promoting the project and liaison with senior executives. Overall responsibility for the successful delivery of the project.
Project Manager	Peter Parkes, Head of Strategic Projects (joint appointment with University)	Manage the day-to-day activities on the project, co-ordinating teams and tasks. Leading negotiation with bidders with overall responsibility for procurement.
Service Development Partners	Catherine Driscoll Head of Cultural & Commissioning Services, WCC and Anne Hannaford, Director of Information & Learning Services, UW	Responsible as key service managers for the development of overall services. Responsible for service innovation, stakeholder involvement and communication strategy.
Design Manager	Iain Paul, Design Manager Strategic Projects	Design Champion. Lead on all design and planning on the project. Co-ordinate technical input and advice, including the development of appropriate Detailed Design Statements and corresponding Output Specifications. Lead on sustainability.
Library Service representatives	Kathy Kirk, Libraries and Lifelong Learning Manager, WCC Nicki Hitchcock, Librarian, Worcester Library, WCC Roger Fairman, Joint Head of User Services, UW	Key service managers for the development of the joint library, responsible for accommodation planning and service delivery.
History and Archive Representatives	Debbie Birch, Records and Information Services Manager Victoria Bryant, WHEAS, WCC Lisa Snook, Record Office, WCC	Key service manager for the development of the History Centre, responsible for accommodation planning and service delivery.
Customer	Tracy Clowes, Customer	Lead on the development and integration

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Service Centre Representative	Service Manager, Worcester Hub	of the Hub Customer Service Centre.
Facilities Management Representative	Kathy Preece, Purchasing Manager, UW	JPT member leading on facilities management service specification/review.
Financial Management	Mark Evans, University Principal Accountant and Nick Hughes, Corporate Services Principal Finance Officer, WCC	Provision of in-house financial management and advice. Responsible for overall budgets and financial reporting. Guide and manage external advisors.
Legal Advice – internal	Kate Perons , Principal Solicitor, WCC	Providing Planning, procurement and general legal advice, manage the external legal advisor.
Advantage West Midlands Representative	Paul Sampson, Partnerships Manager	Co-ordinate input from AWM. Advise and guide on funding bids and other AWM processes and procedures.
Technical Advisors	Mott McDonald	Providing a range of technical advisory services through the procurement process.
Architectural Advisors	FaulknerBrowns Architects	Advisors on interior design elements of the project.
Financial Advisors	Ernst & Young	Providing financial advice and services through the procurement process.
Legal Advisors	Trowers and Hamlins	Providing legal advice and services through the procurement process.
Governance Legal Advisor	Pinsent Masons	Advising the Project Partners on the governance arrangements for the partnership
Tax Advice	KPMG/Deloitte	Providing tax advice to both main partners.
Insurance Advisors	Marsh Ltd	Providing insurance/risk advice to partners.
Land Acquisition and Estates	Mike Williams, Estates Group Leader, WCC	Leading negotiations on land acquisition and site development.
Commercial Advice	King Sturge LLP	Provided initial advice on the likely interest in commercial activity.
Geotechnical Consultants	Norwest Holt	Providing advice on ground conditions
Traffic Consultants	Faber Maunsel	Providing advice on traffic impact of the project

The planning of operational services is being led by a recently established Service Development Strategy Board. This board is made up of Senior Officers from Service Partners (Public Library, University Library, Heritage Services and Hub). The board meet bi-monthly and co-ordinate all workstreams relating to the development of services within the building.

The workstreams and governance structure are illustrated in Appendix H. Workstreams consist of a Lead, Core Group and Wider Stakeholder

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Network. Each workstream produces a detailed plan of how and when each area of work will be undertaken.

Progress is reported back to the Service Development Strategy Board via bi-monthly Highlight Reports or, where necessary, Exception Reports. The Service Development Strategy Board keep the Project Board and Joint Project Team updated via a bi-monthly Highlight Report.

#### **10.4 Internal Audit Review of Project Governance**

The County Council's internal audit team have recently completed a detailed, project specific audit of the governance and procurement arrangements that have been put in place for this project. It is pleasing to report that findings of the audit confirm that all 21 control objectives reviewed have been fully met.

#### **10.5 Operational Management Structure**

The Project Partners have agreed to the establishment of a partnership arrangement to support the management of operations within the WLHC. Alternative governance options were very carefully considered, with the advantages and disadvantages of the establishment of a Joint Venture Company (JVCo) considered. A JVCo solution was rejected as being over complex and offering little of tangible benefit over a simpler form of partnership.

The County Council will be the sole signatory to the PFI Project Agreement. This agreement will be the subject of a back to back agreement between the County Council and the University by way of a Stakeholder Agreement. The Stakeholder Agreement will govern the way the two bodies work together and share responsibilities covered by the Project Agreement.

The proposed contractual arrangements are illustrated in Appendix I. The Authority's Representative will be a senior operational manager from the Partners to whom a jointly appointed Contract Manager will report. The Contract Manager will be the Project Partners direct interface with the PFI contractor and responsible for the day to day management of the PFI Contract.

A Building Management and Joint Development Group will be formed with representation from all the key operational services within WLHC. This group will be responsible for the co-ordination of services within the WLHC and management of the PFI contract.

In addition a Joint Library Management team will be established to manage the operations of combined public and academic library services.

A joint board will be established to provide executive governance of the WLHC, with appropriate key issues referred to the two Partners' decision making groups.