HM Treasury and HM Revenue and Customs PFI Renovation Projects in Whitehall

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1. Introduction

The HM Treasury Building is a grade II* listed building that was refurbished under two separate concession agreements between 2000 and 2004.


Refurbished to accommodate 2600 civil servants, now accommodates 3800.

Services contract until July 2037, including life cycle responsibility.
2. Pre-Renovation History

The Building

• Built around 1900.

• By 1990’s physical condition deteriorated.

• Poor communication between departments due to lack of flexibility of space and information systems.

• Infrastructure not capable of supporting changing business needs.

• Large spaces exposed to the elements and unused.
3. The Challenge

To deliver a high quality efficient working environment on time and on budget that:

• Offers flexibility to meet the departments needs, now and in the foreseeable future.

• Enables the departments to work collaboratively, openly and innovatively.

• Fosters good internal and external communications.

• Projects a modern, professional and welcoming image.
4. Financials

The approach by HMT and HMRC

- Set up a taskforce for delivering projects under standard terms (standardisation of PFI contracts version 4 – SOPC4).
- Funding competition held separately to obtain project finance for the project, later seen as good practice by NAO.
- Project bid analysis to:
  - Public sector comparator
  - The then current market construction and service costs
  - Market rentals
- The building was inspected and required £60m of capital works to keep it operable.
- Public sector organisations to concentrate on their core business by passing over the development, construction and non-core operations of their buildings to the private sector.
4. Financials

The project original financing structure

Exchequer Partnership PLC (Issuer)

- Lenders
  - Bondholders
  - Mezzanine Lenders

- Unit Payment

- Project Agreement & Lease

- Debt Service

- Equity Return (100%)

- Building Contract Price

- Hard FM Payments

- Soft FM Payments

- Hard Facilities Management

- Soft Facilities Management

- Bovis Lend Lease Limited (BLL)
  - Building Contractor Guarantee

- BLL Facilities Management (BLLFM)

- Workplace Mgt. (Westminster) Ltd (Workplace Mgt.)
  - Hard Services Guarantee
  - Soft Services Guarantee

- Exchequer Partnership Holdings Limited (HoldCo) (Issuer)

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- 42.5%
  - Bovis Lend Lease Holdings Limited (Bovis)

- 42.5%
  - Stanhope Plc

- 15%
  - Chesterton International Plc (Chesterton)

HMT
4. Financials

**HMT overview:**

- £112m renovation value (2000)
- £30.8m life cycle (2002)
- 35 year facilities management contract including life cycle responsibility.

**HMRC overview:**

- £142m renovation value (2002)
- £32.3m life cycle (2004)
- 32.5 year facilities management contract including life cycle responsibility.
5. Pre-Service Commencement

Design and build risks passed down from HM Treasury and HM Revenue and Customs:

- Town planning
- Design
- Construction
- Latent defect
- Decant
- Programme
- Operate building within defined parameters
6. Construction Approach

- Design team based on site
- Lessons learnt from Lend Lease portfolio of projects
- High calibre team appointed
- Early input from trades & FM
- Continuity between HMT and HMRC projects
- Effective design reviews
- Collective sign off
- Mock ups of key facilities
- Communication – HMT and HMRC protocols applied
- Joined up thinking and delivery
7. Operation

An independent report completed on behalf of HM Treasury in 2009 made the following points:

- PFI is seen as an appropriate procurement route with the majority of PFI contractors delivering satisfactory services. The HM Treasury PFI is no exception and still provides value for money.

- A review of the finance element of the Annual Unitary Payment, considered equivalent to rental stream, compares favourably with comparable accommodation within the area and remains value for money.

Note: PF2 has just been announced by the Chancellor of the Exchequer.
7. Operation - Monitoring

The contract is monitored internally by HM Treasury and HM Revenue and Customs as well as externally by a number of bodies.

- In 2009 the services were subject to a market testing exercise which was reviewed by the UK Government’s PFI unit. The exercise returned a small benefit to the government departments.

- Both the PFI projects were initially rated by Standard and Poor’s as AAA, and have retained their high rating even through the current economic climate.
8. Recognition and Testimonials

- PFI European Development Year 2000
- BCO Best Design PFI 2003
- BCO National Winner 2003
- Highly commended Considerate Contractors Award 2004
- Best Supply Chain Team of the Year
- HSE Best Site Facilities 2004
- Building Finalist for PFI Contractor of the Year 2004
- Winner Civic Pride Awards/Green Awards 2004
- Finalist for MIPIIM Refurbished Building 2004
- Finalist Building Health and Safety Awards 2005
- Finalist Public Private Finance Awards 2005
- Winner ULI Developers Award 2005
8. Recognition and Testimonials

A sustainable success story - A new lease of life

- Recycling 100 year building
- 88% of building waste recycled
- Making dead space usable (Net usable improved from 42% - 56%)
- Sustainable material specified (carpet tiles, FSC timber)
- Building more intensively used:
  - Pre Development Population 1,700
  - Design Population 2,660
  - Actual Population 3,800

Wellbeing

- ¾ of respondents said they are “80% more productive”
- Staff retention has improved by 2%
- Absence due to sickness has fallen from 5.2 days to 3.1 days per year

Note: Source DEGW/OGC Working without Walls
8. Recognition and Testimonials

“Quality accommodation is essential to quality services. This project has delivered what Treasury has needed for many years: an efficient, modern workspace that will enable us to improve further the services we provide.”

Sir Andrew Turnbull
Cabinet Secretary and Head of the Home Civil Service, May 2004