



## THE INSTITUTE OF RISK MANAGEMENT

### MINUTES OF PPP/PFI SPECIAL INTEREST GROUP

HELD AT BALFOUR BEATTY CAPITAL, REGENT'S PLACE

ON TUESDAY 12<sup>TH</sup> JUNE 2007

#### **Attendees**

Enna Azami (Willis), Mohammad Asif (Balfour Beatty Capital), Mark Blackmore (Currie and Brown), Geoff Buckingham (CORDA), Chris Day (Amec), Sandra Elston (Willis), Marc Evans (Balfour Beatty Capital), Joanne Foley (Willis), Rolf Gantner (PartnerRe), Andy Garlick (The Risk Agenda), Andrew Harland (Currie and Brown), David Jones (Parsons Brinkerhof), Ben Martyr (Currie and Brown), Helen Mason (Keir), Tom Smith (Derbyshire CC), Poh Tan (Cyril Sweett), Steve Tustin (GSL), Mike Walker (Chair of SIG and of IRM), Gemma Watts (Alfred McAlpine)

#### **Apologies**

Barry Dickinson (Currie and Brown), Kamal Kanish (Babcock), Suzanne Harrison (CORDA), Christian Oliver (Cyril Sweett), Janice Oram (Marsh), David Smith (Willis), Rupert Travis (Cunningham Lindsay International), Simon Treglown (Babcock), Chris Whitehead (Balfour Beatty Capital), Matthew Wickham (Cyril Sweett),

#### **Items**

1. Mohammad Asif of Balfour Beatty Capital welcomed us all to Regent's Place and the meeting.
2. Mike Walker, the SIG Chairman, welcomed everyone to the SIG, and asked them to introduce themselves. We were all very grateful to Balfour Beatty Capital for providing such impressive accommodation, a speaker and lunch.
3. Mike went on to introduce the presentations. noting that Building Schools for the Future was a very large undertaking and that Marc Evans, Senior Commercial Manager at Balfour Beatty Capital was a very capable replacement for Chris Whitehead who had had to withdraw, and would be ideally placed to describe developments.
4. Marc provided an overview of the Building Schools for the Future (BSF) initiative and talked particularly about the objectives, nature and risk of the Local Education Partnerships which are being set up. Key points were:
  - the intention is to renew or replace every secondary school in England using long term partnerships to reduce the waste of setting up deals
  - Partnerships for Schools (PfS) was set up in March 2004 to roll out BSF as a national programme manager
  - spending was expected to be of the order of £45bn over 15 years: 50% rebuild, 35% refurbishment and 15% minor works
  - the Local Education Partnership entity was generally a joint venture owned 10% by the authority, 10% by PfS and 80% by the private sector partner, and had a degree of exclusivity during the 15 year period
  - the activities of the LEP were: to provide partnering services, to invest in the PFI SPVs (where PFIs were undertaken), and to provide management services to the PFI SPVs

- the partnering services, such as project development, are rewarded through fees which are generally deferred until projects take off
  - in addition the LEPs are rewarded through normal return on investment in PFI SPVs and the fees for management services for the PFIs or construction management where PFIs are not undertaken
  - the LEP is a 51% shareholder in PFIs, so the private sector partner takes a direct 39.2% share in the SPV so that its 80% interest overall is maintained (work it out!)
  - a key issue is ICT where the structure is intended to ensure everyone feels pain if ICT is not delivered in an integrated way
  - the LEP is obliged to deliver performance under several categories of collective partnership targets (separate from the PFI payment mechanisms), including track record KPIs and continuous improvement targets
  - this results in an interesting balance of risks for the LEP - a general objective is to minimise these, resulting in a so-called "thin LEP", penalties are loss of exclusivity and, ultimately, forced sale.
5. Mike then introduced Ben Martyr of Currie and Brown who gave a talk from the public sector perspective on the key issues. Ben had acted as Technical Advisor to several authorities trying to set up partnerships. He noted that:
- no two authorities are the same - they are driven by different local and political imperatives
  - the need for technical advice arose at several stages in the partnership life cycle
  - the main authority risk issues were: affordability, programme - delivery in many partnerships had fallen behind expectations and programme, getting the right partner - authorities are in competition to land the best ones (!), future asset risk, multiple stakeholders, education blighting, and the opportunity to transform education.
6. Ben concluded by putting forward the idea that there was too much emphasis on rebuilding schools and not enough on what was really required. This sparked a discussion about whether what comprised the ideal learning environment and how it might best be delivered to most secondary school age students.
7. Mike said we would plan our next meeting for September or October. He also noted that the IRM Risk Forum will be on 1-13 September. Mike then closed the meeting with thanks from the IRM to the speakers, and to Balfour Beatty Capital for acting as such excellent hosts.

Attachments: Powerpoint presentation to follow