



PROVIDING CONSTRUCTIVE SOLUTIONS

BULLETIN

CURRIE & BROWN: UK EDITION

ISSUE 3 • SPRING 2004



SCHOOLS OF THE FUTURE: PFI PASSES TEST BUT MUST DO BETTER

INSIDE ■ NEWS ■ EDUCATION ■ NEW WAVE PFI ■ PRISONS



AS we look forward to the beginning of a new financial year we can anticipate exciting days ahead. The business continues to expand into new areas whilst growing our core services through delivering added value to our clients.

Unique opportunities are being pursued utilising these skills and applying them to ever diverse opportunities. We have seen a major growth in strategic project management, consulting services, and strategic procurement advice. As outlined in this edition, we are at the forefront of developments in public procurement and are heavily involved in Urban Regeneration.

In addition, across the business, various sector managers are involved in advisory positions in a number of university and further education establishment as we attempt to complete the circle and meet the government's objective of Education, Education, Education, which was further endorsed by the Chancellor's budget announcement that UK-wide funding on education will rise to £77bn by 2007/8.

David Broomer
Chief Executive

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Success is Academic

CURRIE & BROWN's strategic presence in the further education sector has been boosted with several significant university contract wins.

Newcastle University has appointed the company as cost consultant on the Medspan Project, a £10 million upgrade of their medical school. It is being carried out in nearly 30 separate but concurrent projects while the building remains occupied. Newcastle University Estates considers it the most complicated project it has ever undertaken.

Currie & Brown's current advice follows its involvement in the successful completion of the refurbishment of lecture rooms and labs in the University's Ridley Building.

In a separate development the company's Manchester office has been appointed on a three month rolling commission to provide capital works development at the Lancaster University Campus.



Meanwhile the Crawley office has won several new commissions following its success in being appointed to the University of Sussex's framework list for both cost and project management in December 2003. The new projects involve the project management of departmental moves within the University's Arts Building and project and cost management of the installation of a new lift installation within a listed building on the Falmer campus.

Elsewhere the Bristol office has been appointed on a refurbishment project of the University of Bristol's pre-war School of Medical Sciences which required the upgrading of the laboratory and genomics facilities. Bristol is also working on a number of cost management and planning supervision projects, for the University of the West of England.

Scottish Universities are also benefiting from Currie & Brown's expertise in the sector. The Glasgow Office has recently been appointed to provide cost management services on four projects to upgrade laboratories in St Andrew's University's schools of physics and astronomy, chemistry, biology and psychology. The work is part-funded by the Science Research Investment Fund.

Further north, the Aberdeen office has been reappointed by the Robert Gordon University to undertake all required quantity surveying services over a two year term.

St. Andrews University

BBL ACQUISITION

CURRIE & BROWN has acquired the ongoing contracts and fixed assets of Barker, Barton & Lawson Ltd (BBL). BBL, now renamed Currie & Brown (CI) Ltd operates out of Abu Dhabi, Oman, Scotland and Jersey. The purchase greatly increases Currie & Brown's resources and facilities in the Middle East region and opens up new opportunities in Jersey and the rest of the Channel Islands.

BBL has extensive experience in the commercial, retail and leisure property sector, including offices, warehouses, hotels, shopping and leisure developments of all kinds.

George Grant, who was responsible for the overall BBL company, joins Currie & Brown as a Divisional Director in the Middle East developing business in the region with a particular emphasis on Dubai and Qatar. Ian

Miller continues as the Divisional Director of the Abu Dhabi office while David Cruickshank will become the local manager of operations in Oman.

Iain Stevenson who was responsible for BBL's operations in the UK and Channel Islands will join Currie & Brown as Divisional Director and will manage the new company, Currie & Brown (CI) Limited, in Jersey.

As the Channel Islands enjoy a unique relationship with the UK, they enjoy certain privileges, which have helped to develop a vibrant offshore finance industry. This synergy with existing Currie & Brown clients in the finance sector and links with other offshore finance centres in Guernsey, Isle of Man and Cayman Islands will bring benefits to the entire group.



Hold the Front Page

CANARY Wharf Plc has instructed Currie & Brown's London West End office to act on its behalf in the acquisition of the famous Reuters Buildings in Fleet Street. The properties total some 140,000 square feet and are currently valued at some £120 million.

The buildings in question are 85 Fleet Street designed by Edward Lutyens and built 1920. The property, built of Portland stone, comprises seven floors.

The second property, St Bride's House, is to the south of St Bride's church and was redeveloped in 1985 to provide seven floors of open plan office accommodation behind a listed retained façade. Presently both properties are occupied by Reuters.

Christmas Cheer

Currie & Brown's policy for 2003 was again to donate a sum to a charitable cause instead of sending Christmas cards to its clients and contacts. For your information the chosen charity was Leukaemia Research.

Ostman Appointment

Currie & Brown has appointed Erik Ostman to its main board as a non-executive director. Erik is presently operations director of the Student Loan Company and is responsible for the company's day-to-day management.

A banker by profession, Erik held various senior positions with the Royal Bank of Scotland during a career spanning more than 30 years. Latterly he was Head of Corporate Development.

Commenting on the appointment Angus McLean, Currie & Brown chairman, said: "We are delighted that Erik has joined Currie & Brown. As the group continues to drive forward, Erik's wealth of experience will prove of great benefit to the organisation."

Covenant with the ARC

Currie & Brown Cost Management has been appointed as cost consultant to a major urban regeneration project in Sunderland.

The company has joined the framework panel for Sunderland ARC (Area Regeneration Company), one of 15 urban regeneration companies (URCs) created to deliver urban regeneration projects across the country.

Its first commission within the framework relates to the Holmeside Triangle project situated in the centre of Sunderland, adjacent to the new bus terminal. The planned mixed-use redevelopment scheme includes proposals for a department store, shops, cafes, restaurants and high quality apartments.

The project is seen as a major catalyst in enhancing the city centre by encouraging investment and creating a focus for income generation.

GlaxoSmithKline

The Milton Keynes office has been awarded the project and cost management portfolio on an expanded programme of works from drugs and pharmaceuticals giant GlaxoSmithKline.

Currie & Brown is now carrying out project and cost management on further GSK research and development sites at Beckenham, Tonbridge and Ware.



COMMENT

■ IT'S an emotive subject but the debate over the role of PFI in the education sector, where the government is planning to spend some £2.2 billion a year in the UK in the coming years, is in danger of generating more heat than light.

Apologists and detractors argue about whether PFI represents better value for money than the traditional procurement route, embroiling

everyone from the Audit Commission to the teaching unions.

However it is clear that, given the hundreds of new schools commissioned since the strategy was launched in the mid-1990s, PFI is here to stay.

Without PFI our educational infrastructure would take much longer to renew and would probably be in a piecemeal fashion. Teething troubles should not be confused with systemic faults. But it is important that the debate moves on and addresses how we ensure that the huge PFI investment in schools actually achieves social, as well as urban regeneration.

There are grounds for optimism, not least the unveiling of the new exemplar designs for PFI schools and the growing cooperation between teachers, local authorities, consultants and contractors to make sure the buildings are properly conceptualised.

That means treating the school as a community in itself as well as it being a vital part of the local community which it serves, with access for life long learning and community use. Educational performance is a key aspect of that treatment but it is not the only aspect. The learning environment and the urban environment are

symbiotically linked – getting the right culture in the school will affect the broader community.

This means that PFI projects should take account of all stakeholders involved with the school. Staff satisfaction with facilities in which they must work, rest and socialise must be balanced by pupil satisfaction and inclusion since that affects behaviour and attitude to learning. The CABE's (Commission for Architecture and the Built Environment) '10 points for a good school' cover much of this.

In my teenage years in the new town of Cumbernauld in the 1960s I saw the need for social regeneration first-hand. Built to take the overspill population from Glasgow it offered a much higher quality of housing than was available in the city, but little else. It became a dormitory town because people had to return to their roots in the cities for social and recreational purposes. There was nothing in the new town from a social point of view, no heart to the community (except a church, which is an interesting point for debate at some other time!). It's important to avoid these pitfalls in the new developments which rejuvenate areas.

Schools procured under PFI involve a 30 year life cycle and should take into account the fact

EDUCATION

DESIGNER SCHOOLS IN

Inspiration and flexibility are the watchwords for the learning environment of the 21st century as education procurement goes back to school



THE Government's ambitious Building Schools For The Future programme in England has opened up an exciting new procurement route for the construction industry that offers enormous market potential.

With many of the educational buildings in the country dating from the Victorian era partly funded by benefactors or post-war concrete edifices which are crumbling, the government has identified the need for a new benchmark standard for the 21st century. This will radically change the learning environment and vastly improve the standards of accommodation. It is estimated that investment in the programme will reach £5.1 billion by 2005/2006.

Last summer Currie & Brown was appointed as technical advisor on the £55 million PFI project to provide new and remodelled schools for West Sussex County Council. In February of this year the company became technical advisor on a similar £60 million contract to replace four secondary schools for the City of Bristol Council.

Last November the government revealed its exemplar designs for the project. These are the visions, created by short-listed leading architects, of how the schools of today and tomorrow should look.

The designs are not rigid blueprints which seek to impose a one-size-fits-all uniformity on schools. Instead they aim to show how

that the area around the school will change over that time so flexibility and adaptability are paramount.

One of the key objectives of education, to which PFI can make a crucial contribution, is in creating better communities and future business relationships of tomorrow.

Instead of our ideological fixation with using schools only as a channel to university we can use the potential of PFI projects and links with social regeneration to create a whole new approach to vocational training. Many young people are pushed into degrees that they don't want to study for. They are not necessarily academic so why drive them into it? This university obsession is partly driven by the desire of existing schools which are geared up solely for academic achievement.

It's difficult to find a tradesperson but if the schools are producing pupils who have been through qualifications in construction, business, and customer services then there could be more qualified people available. It would also allow non-academic pupils to become engaged with the education process and help them develop valuable pride and self-respect.

In Glasgow City for example, the councils have

established vocational training for 14-16 year-olds allowing children to develop practical skills in areas such as joinery, bricklaying and general construction, administration, health and fitness, care in the community and hospitality. These are for pupils who might not go to university but want a good job. They attend these classes for half a day a week and receive a certificate equivalent to a standard grade in these subjects.

A Stakeholder Forum has been created which brings a number of employers in a city together to give kids an opportunity to get work experience and mentoring with the possibility of a job when they leave school. Clearly this is a public sector initiative. However, employers must engage to complete the circle and influence the training and ultimate quality of students.

Everybody must get involved in social regeneration and the next generation.

Instead of the old woodwork and home economics departments there is no reason why schools can't introduce electronics workshops, restaurants or hairdressing salons to give practical experience in the new vocational areas like hospitality, construction and care, health and fitness.

The SVQs in care could alleviate problems

such as bed-blocking in hospitals by helping to foster genuine care in the community by increasing the number of professional and qualified carers available. This is being addressed in the vocational training programme.

There is an opportunity to regenerate community spirit by changing the face of education as we address the young adults' integration with the community. If you learn how to maintain a bus then you are less likely to vandalise it: it's about ownership!

Currie & Brown is closely involved in PFI in the education sector, acting as technical advisor on major procurement projects in Bristol and West Sussex. But the company is also currently working as a catalyst to bring together the business sector with local authorities and education professionals. We can be talking to the Director General of Urban Regeneration one minute and the head teacher of a secondary school the next. PFI in education is so much more than just a procurement opportunity for the construction sector. It can be a catalyst for radical social change and improvement. We have the chance to build the business relationships and communities of the future. Let's make sure we take that opportunity.

BLACKBOARD JUNGLE

inspirational design can create adaptable accommodation which caters to current needs but can change to suit future developments in education.

Basically they aim to make the learning environment better for all students by addressing issues such as improving behaviour, promoting social inclusion and permitting information technology.

The exemplar designs are an opportunity to demonstrate how inspiring design can satisfy or exceed current regulations, exhibit best practice based on current guidance and be provided at an affordable cost.

All schools have their own philosophy about how best to help pupils achieve their potential. The exemplar designs are there to provide a route map for the process. Last April The DfES (Department for Education and Skills), which is being advised by Currie & Brown, published its Asset Management Plan and its Appraisal Guidance Document and expects local authorities to benchmark new schools against the exemplar designs.

According to Martin Taylor, director of Currie & Brown, the procurement route will have to change to deliver what the government requires; "This will take the form of consultants and contractors working together to deliver projects to the local authorities.

"It could be through traditional, PFI, prime

contracting or perhaps using an approach similar to current path finder projects or the Procure 21 route developed by the NHS."

He points out that the PPC2000* contract, launched in September 2000, was already the preferred project procurement process for a number of educational projects. Whereas previously all parties involved concluded separate bi-lateral contracts with the client, the PPC2000 contract allows all parties to sign up to the same contract. They are all then involved in working up design, methodology and price for the project. It is a major breakthrough in contractual arrangements and is aimed at shortening the lines of command and removing the adversarial approach encountered in more traditional procurement routes.

Currie & Brown has a wealth of experience in such partnering arrangements working with clients and consultants. "We understand what clients are looking for and can proactively advise on risk management. We are able to advise the sponsors, in this case the local authorities, on where the risks will be," said Taylor. His team are also currently advising a number of other clients regarding procurement and PFI strategies.

Given that the government guidelines for Schools For The Future stress the need for accurate cost planning and benchmarking, including the need for the likely costs to be calculated on a life-cycle cost basis, Currie &

Brown's sophisticated Live Options design-modelling tool will be invaluable. This allows Currie & Brown to run various "what if" scenarios and calculate the most effective cost for the project at an earlier stage than traditional cost modelling tools allow.

"With our long-standing experience of business case support, coupled with our involvement in pioneering pilot projects such as the new Crossways Academy for the London Borough of Lewisham, we understand how business cases have to be presented, how risk is managed and how to benchmark against the market average or best practice," said Taylor.

Schools are now identified as a key aspect of the regeneration of an area. Currie & Brown has considerable experience of this holistic approach to new developments which could be described as a constructive approach to construction. The company is involved in developing a new Community Stadium for Brighton and Hove Albion FC which will also include facilities for learning initiatives for the local community. This is part of the strategy to regenerate East Brighton and create a different environment in which to deliver education.

It is certainly the case that the construction industry is itself learning valuable lessons about how best to deliver Schools for the Future.

**Project Partnering Contract*



THE TOMORROW PEOPLE

As PFI comes of age, innovative UK players are stretching its potential

SINCE it was launched in 1992 the Private Finance Initiative (PFI) has grown rapidly and is still breaking new ground as a flexible procurement route. Devised as a means of making much-needed investments in the UK's infrastructure without boosting public borrowing, it emerged on the back of privatisation since it was recognised that some assets, primarily the core education and health sectors, could not be left to pure market forces.

Now after a decade of development, PFI is coming of age as it is rolled out overseas and introduced into highly sensitive and alternative areas such as defence and social housing.

In the period since PFI's inception Currie & Brown has built its expertise in the area and has been involved, to date, in over 100 projects with a total value in excess of £5 billion.

According to Clive Docwra, divisional director of Currie & Brown, "PFI has largely achieved its goal of reducing the Public Sector Borrowing Requirement as a percentage of Gross Domestic Product (GDP)."

He identifies several other key drivers behind the strategy: "Firstly PFI provides a greater focus on the whole life efficiency of projects by combining the obligations associated with capital and operational expenditure. This encourages a long-term commitment from consortia to projects, whereas before PFI, contractors would have had limited interest in projects beyond practical completion.

"In terms of measuring the true benefits we will not see these until five or ten years down the line."

Over the last decade the UK, as the creator of the PFI model, has stretched the potential of this route of procurement, taking it to its farthest reaches in areas such as defence.

The Ministry of Defence has become a keen exponent of the art of PFI. The Skynet 5 military satellite communication system is widening the boundaries and experience of PFI proving that there are very few constraints on

the concept. This is the first time that such an approach has been undertaken for providing military satellite communication services.

Now, having built up their expertise in the PFI field, UK consultants are exporting those skills: "There is sufficient expertise in the UK to support the exportation of consultancy skills while maintaining adequate resource levels in the UK," says Docwra. "There are opportunities abroad as foreign governments recognising the potential of PFI which funders and consultants can now exploit."

Currie & Brown is currently working on prison projects in South Africa, hospitals in Canada and has entered the Italian, Australian, South American and Irish markets. In Ireland alone the additional investment programme in public infrastructure is set to grow from 3% of GDP to 15% by 2008.

Though health and education are currently the main markets for PFI, it has been

Now, after a decade, PFI is coming of age

successfully applied to providing magistrates courts, bridges and roads, libraries and will be increasingly used in the future to provide wastewater treatment and social housing. "Councils have to upgrade and increase the level of their housing stock to meet government standards and this is manifesting in a number of areas, including most recently Sandwell, where Riverside Housing Association has recently achieved preferred bidder on a scheme to both refurbish and develop 283 homes," says Docwra.

This innovation also extends to prisons (see article opposite): "The provision of custodial services through the PFI route has led to

improvements in a number of areas," says Docwra.

He says that the key factors determining the viability of a PFI project are whether the project is bankable and whether the necessary skills are available in the private sector. "The ability to bring flexibility into the contract will ultimately determine long-term success."

The degree of innovation and financial sophistication in the market can be seen in the growth of securitisation of projects. Some PFI consortia will sell equity in existing schemes to provide capital to fund new projects.

Derwent Valley Hospital, built by Carillion and then sold to Barclays, followed this path. Selling equity allows the contractor to plough money back into PFI and creates a secondary market. On a larger scale the recent purchase by Star Capital of 23 PFI projects illustrates how these schemes could ultimately become recognised commodities in their own right and compete with traditional property investment.

But PFI is just one form of Public Private Partnership. There are other new routes such as NPDO (Not for Profit Distributing Organisation) where the private sector has its return on a project capped and any profits beyond an agreed limit are paid back into the public purse. The Argyle and Bute schools project in western Scotland is being procured on an NPDO basis as are a selection of other schemes in Scotland.

Beyond this, the Voluntary Finance Initiative, aimed at involving the voluntary sector in the provision of public services, is shaping up along the PFI model.

This initiative, proposed by Alan Milburn the former Secretary of State for Health, is designed to work alongside the private finance initiative and will allow the non-profit voluntary sector to borrow against long-term government contracts.

With PFI now a mature procurement route, the early problems have been largely resolved leaving scope to focus in on key areas.

As prison populations soar, overcrowding and cell shortages are a real problem. PFI may have the solution

IT has all the makings of a classic moral panic. In March 2004 the prison population in England and Wales passed the 75,000 mark for the first time while Scotland's prison population has just reached a record high of over 6,500.

As result the country's penal system is now operating at full capacity with severe overcrowding in some prisons.

Craiginchies in Aberdeen, for example, was recently reported as housing 250 prisoners despite being built for 155. Scare stories are circulating that police cells will have to be used to house prisoners. This growth may be down to tougher sentencing rather than an increase in court cases but it means that new prisons are needed urgently.

PFI provision of private prisons, such as those at Ashford, Kilmarnock and Peterborough in which Currie & Brown was involved as a consultant, are a key part of the solution to overcrowding and cell shortages. But the custodial care of offenders is in a process of evolution. Criminologists and practitioners are constantly looking for new and more effective ways of challenging offending behaviour, and developing rehabilitative justice in order to get the UK's prison population down from the rate of 141 prisoners per 100,000 head of population, a European record.

This presents a challenge for those specifying outputs for custodial services contracts through PFI – the contracts must specify the outputs which are required at the specific point in time at which the contract is entered into, and yet must provide sufficient flexibility within the contractual procedures to accommodate the evolving standards of care and treatment.

The nature of a contract requires that both parties are clear about what their respective obligations are. For instance, while teachers, or healthcare workers remain employees of the local education authority or NHS Trust, prison custody officers in the private sector are now employees of a private company.

Currie & Brown's involvement initially was in advising funders of the risks, such as those above, involved in the construction of new prisons. Gradually, this role broadened, to include the monitoring of prisons contracts post-construction, during the operational phase. It became clear that, for the participants, the period of risk did not end with the physical construction of the facility.

"The basis for payment under private sector custodial contracts is the Available Prisoner Place," says Stewart McGill, associate of



PFI: GET OUT OF JAIL FREE

Currie & Brown. "Operators do not assume volume risk, but are paid on the basis that if a prisoner place is available for use – that is to say that there is a cell available that meets the specified standards, and that various other availability criteria have been met – then the company will be paid."

This contractual basis presents a number of risks for operators. There are, for example, the risks associated with the maintenance of safety and security in a custodial facility. In an institution containing several hundred inmates, some with mental health problems of varying severity, others with substance dependency problems, the potential for violent incidents between prisoners, or between prisoners and staff, is high. Another problem for operators is the prevention of self-harm among prisoners, particularly amongst the mentally ill. There is also an obligation to prevent the introduction of prohibited items into the facility, in particular drugs.

These we may consider the "normal" operational risks, which contractors assume when entering into contracts.

The success of this approach in practice can be seen with the awarding of two new prisons contracts in 2002. HMP Bronzefield, at Ashford, near London, is to be an entirely female prison, with 450 prisoner places. HMP Peterborough, in the East Anglia area, is a prison that will contain both male and female

prisoners, with 360 women's places. Both contracts were awarded to United Kingdom Detention Services, an experienced private sector operator which already operates a number of custodial and immigration detention facilities in the UK. Interserve Project Services Limited, a specialist division of a major UK construction contractor, is undertaking the design and construction of the prisons. Design itself is subcontracted to HLM Design, an international consultancy with a wide experience of custodial facilities. The projects, like all new custodial facilities constructed in the UK since the 1990s, are being procured under the Government's PFI initiative, by the Office of Contracts and Competitions of the Home Office Correctional Services department. A consortium of lenders is providing funding for the projects, with The Royal Bank of Scotland acting as Agent Bank. The Royal Bank of Scotland is also an equity stakeholder in the projects.

Work commenced on site in January 2003 at Ashford, and at Peterborough in February. At the time of writing, both projects are running on or ahead of programme and within budget.

Penal reformers are seeking to reduce prison numbers by increasing the use of community-based justice and fines but while the UK continues to lead Europe in jailing offenders, the successful delivery of PFI prisons remains paramount.



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