

Bringing Change to a Dynamic Business: The BBC Property Outsourcing Project held at Templeton College, Oxford on 23 January 2003

Participants

Around 40 participants attended the seminar and the following organizations were represented:

BBC Property, British Energy, BT Plc, CMS Cameron McKenna, EDS, Henley Management College, Herbert Smith, Jacobs Gibb Ltd, Kellogg Brown & Root, Bovis Lend Lease, Linklaters, Maxwell Batley, MEPC Ltd, National Grid Co Plc, NM Rothschild & Sons, NNN Ltd, Office of Government Commerce, PA Consulting Group, PLC Consultants, Sir Robert McAlpine, Thames Water, Trillium Property Services Ltd, UKAEA, University of Birmingham, Washington E & C Ltd

The outsourcing of non-core activities has gained strength in large organizations over the last decade, but for many the ultimate challenge remains: total property outsourcing. In 1999 the BBC set off down this route and two years later a wide-ranging property partnership was formed with Land Securities Trillium (LST).

The scope of the agreement was huge. It covered over 500 properties in a partnership set to run for 30 years. It involved capital investment of many millions but at the same time it provided a release of capital for the BBC.

With so much at stake, this was not a project for the faint-hearted. It was vital to get it right from the outset and high-calibre advisers were appointed. A deal was forged to allow best value for the client and an attractive, value-adding arrangement for the property partner. Flexibility was built in to allow for extensions to scope and accommodate future change.

The partnership has allowed the BBC to concentrate on what it does best: programme-making.

On the decision to outsource

The BBC decided on a comprehensive long-term property outsourcing partnership because:

- its property portfolio was run down, inappropriate for the new technologies and ill suited to creative work.
- capital investment was essential for its developments at White City, London and Pacific Quay, Glasgow but, as a publicly funded organization, it did not want to be seen to be spending licence fees on property development.
- its property maintenance costs were high.
- it had 700 people involved in its property portfolio, a number that would be reduced by outsourcing.

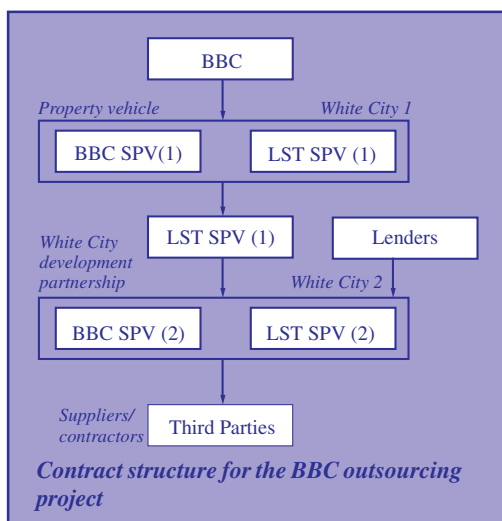
On the approach to procurement

Once the BBC had decided to move ahead in earnest:

- soundings were taken in the market to see what was on offer.
- an advisory team was formed and an “exploratory” approach to procurement was adopted to encourage creativity and innovation, even though it meant that the bids would be harder to evaluate.
- in the first phase of evaluation, five bidders were reduced to two. In the final phase of evaluation, working groups at the BBC provided an input.
- Land Securities Trillium was eventually selected and the partnership formed in 2001.

On contractual issues

Linklaters acted as legal adviser to the BBC: during evaluation, two parallel legal structures were developed in order to achieve the best possible structure. The role of the legal adviser in the evaluation process covered not only legal scrutiny of the bids but also examination of bidder intent (alignment of interests, consistent risk transfer, etc) – a detailed risk matrix was drawn up and proved invaluable.



The future newsroom will occupy 60,000 sq ft in an imposing space with a double-height atrium. The building will accommodate the new technologies and allow BBC staff to operate in a high-quality environment that is conducive to creative work.

The BBC: facts and figures

- £3 billion revenues
- 25,000 employees
- 24 million licence fee payers
- 520 buildings in the UK as at June 1999
- Around 700 BBC people involved in property portfolio as at June 1999

The BBC/LST partnership: facts and figures

- Term of partnership: 30 years
- Remit: asset transfer, property development, FM, ongoing capital investment, estate strategy development
- Financial arrangement: annual unitary charge for FM and estates strategy
- Capital release: £37 million from transfer of BBC's White City site and property into partnership JV
- White City development: initial investment of £220 million
- Estimated total investment by LST: £257 million

MPA events are confidential, although this summary has been compiled so as not to breach confidentiality. Full proceedings and entry to MPA events are available only to members.

Two special-purpose vehicles (SPVs) were set up (a BBC wholly owned subsidiary and an LST wholly owned subsidiary) – they make up the main property vehicle. To handle the new development at White City, London, a second partnership was formed. The partnership is to run for 30 years and provisions have been made for extensions to scope.

On implementation

The partnership came into force on 11 November 2001: the period of mobilization was three months. During the mobilization period, LST had to gain access to all the properties, hold road shows, organize the transfer of staff and understand all the technical issues: it was sleepless nights for those in charge! The “go-live” date came about a week before the BBC's annual *Children in Need* appeal, an exceptionally busy time, with operations and outside broadcasting working at full stretch. Despite some teething problems, LST met the required standards of service delivery within six months.

Personnel issues

The BBC and LST had to manage the soft issues:

- 320 staff transferred from the BBC to LST.
- the transfer of staff had to comply with the TUPE rules (Transfer of Undertakings (Protection of Employment) Regulations 1981).
- the BBC was seen as a glamorous place to work and LST could not match the prestige of a media employer – so LST had to win the hearts and minds of transferring staff.

Future of the partnership

The partnership was to run for 30 years and was designed to be flexible:

- extensions to contract are provided for and LST does not have to bid for them in open competition.
- LST advises the BBC on estates management – this part of the contract needs to be developed so that both sides can extract value from it.
- the BBC's property strategy will be continuously harmonized with the aspirations of its end-users and the scope for future development fully exploited.
- the philosophy of the deal should be passed on to new generations of employees, so that understanding, quality and motivation can be maintained.

Lessons learnt

Lessons learnt have a wide application in the outsourcing of services:

- make sure that the interests of the client and the service provider are aligned.
- ensure that the over-arching philosophy of the deal is known to the current generation of personnel and is permanently captured for future employees.
- assemble a first-class advisory team and encourage them to develop tools of excellence, such as the risk allocation matrix used by on this project.
- prepare end-users for the new regime – with good consultation and communication, they will buy into it more rapidly.
- manage expectations carefully.
- in a long-term partnership, make sure that flexibility is built in – nothing ever stands still, least of all technology.