

Two Counties Police PFI

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Blue light PPP transactions have performed relatively well over the last year as the UK attempted to work its way out of the worst recession of all time, standing steady in a turbulent market.

In such a market, the Two Counties Police Investigation Centres (PIC) PFI scheme is significant for a number of reasons - not least that it is the first deal in the sector to be undertaken jointly by two forces.

Furthermore due to the project's duration - it was first mooted in 2002 - it was one of the last to be procured via the negotiated procedure scheme rather than competitive dialogue.

The reasons behind the drawn-out procurement - which also saw the withdrawal of one police authority from the scheme - are a mixture of local, national and global factors.

As the trend in PFI moved towards bundling services the project was expanded to include a greater range of functions. However, planning issues and market liquidity saw these plans scaled back to a straightforward serviced accommodation scheme with financing structure typical for 2010.

Neil Tindall, partner with Pinsent Masons and an adviser to the procuring authority, said: "The economic crisis did not help as services required de-scoping to achieve value for money during the course of the procurement.

"It was also more difficult than anticipated to acquire a range of acceptable sites given their use - which required planning sensitivity."

However, while the project has been classed as everything from "pathfinder" to "stalled" - it now stands as an example to other police authorities of what can be achieved with a clear objective and dedicated procuring team [\[Projects Database\]](#).

Background

The project's history dates back to 2002 when a best value review by the Norfolk Police authority determined that redeveloping the service's cell facilities was a strategic priority.

Suffolk and Cambridgeshire authorities were also reviewing their custody provision and following a scoping review by all three authorities it was agreed that there was significant potential for a joint PFI funded solution.

Initial approval for the project was granted by the Home Office in 2005 with the project moving into procurement a year later.

The structure and scope of the project was lowered in 2008 when the Cambridgeshire authority withdrew. It was facing numerous planning issues over its proposed developments in Cambridge and Huntingdon, which eventually proved to be insurmountable given the project's timetable.

The authority's withdrawal led to a reduction in the number of sites from nine to six and a reduction in project value of around £20 million.

The final bidding consortia for the project were announced during 2008. They were:

- **Justice Support Services (JSS)** - Kier, Uberior Infrastructure Investments and Reliance Secure Task Management
- **GSL** - Serco Home Affairs

JSS was named preferred bidder on 6 January 2009 reaching financial close just over a year later on 22 February 2010.

The first centre is due to be completed in February 2011 with the final centre operational by October 2012.

Commenting on the project's drawn out procurement Peter Belson, the procuring authority's project director, said: "The project encountered and overcame a range of obstacles before reaching financial close. It was an ambitious multi-police authority project which commenced when few police PFI schemes were reaching the market.

"It adopted a form of contract that tracked SoPC4 terms but pre-dated the Local Partnerships procurement pack model form. The scheme required an initially broad range of services and sought numerous suitable sites across East Anglia for police investigation centres.

"By learning from previous pathfinder projects like Cheshire's centralised custody PFI project and dealing with the re-scoping and paring back the range of sites and services made for an entertaining project."

The Project

The project involves the construction of six PICs, which will primarily open at the following sites:

- Wymondham
- Aylsham
- Great Yarmouth
- Ipswich
- Bury St Edmunds
- King's Lynn

Kier Project Investment is representing Kier Group's interests, while Kier Regional will construct the centres. Reliance will provide the facilities management services.

The facilities have been designed to process people taken into custody without any other associated functions.

Once operational detainees will no longer be dealt with at police stations in Norfolk. Instead dedicated teams will undertake detainee handling and investigations in the purpose-built facilities - aided by specific technical and scientific investigation tools.

Financing

A club of three lenders eventually provided a senior debt facility of £63 million - split as follows:

- Lloyds Banking Group - 40 per cent - £25 million
- Helaba - 30 per cent - £19 million
- RBS - 30 per cent - £19 million

The debt:equity ratio is 90:10 with an equity bridge loan of around £6 million being provided in lieu of equity. The tenor on the debt is 30 years.

The structure of JSS is as follows:

- Uberior Infrastructure Investments (part of Lloyds Banking Group) - 42.5 per cent
- Kier Project Investments - 42.5 per cent
- Reliance Secure Task Management - 15 per cent

Victoria Whitehead, director of project finance at Lloyds Banking Group, says: "This represents one of the largest PFI projects within the police sector and further demonstrates Lloyds Banking Group's commitment to financing the public sector procurement of key UK social infrastructure."

Future developments

Compared to other sectors in the UK market there has been little political posturing towards the future of blue light schemes with several currently in procurement - including North-West fire [\[Projects Database\]](#) which is scheduled to reach financial close during Q3.

The deal pipeline is steady with Gloucester Police [\[Projects Database\]](#) and Gloucester fire [\[Projects Database\]](#) both at PB while London fire [\[Projects Database\]](#) has shortlisted three bidders.

Furthermore, both Avon and Somerset [\[Projects Database\]](#) and West Yorkshire [\[Projects Database\]](#) authorities are in the process of bringing projects to market with the latter in particular being of a scale previously unheard of for the sector.

Conclusion

Despite several delays, the project remains the first PFI collaboration between two police authorities and will provide modern, state-of-the-art facilities - including 146 new cells - with six new-build police investigation centres.

With the private sector falling out of love with other UK PPP sectors due to a combination of spiralling bid costs [BSF] and worrying legal challenges [waste], the blue light sector is becoming increasingly appealing to a growing number of SPVs.

As a fairly vanilla project, it is surprising that more have not been pushed through the system, especially in the tight financing market of recent years when simplicity was rewarded with success.

There is an interesting niche sector evolving in the UK for these deals and a skillset that will be beneficial to emerging PPP markets to investigate as an ideal pathfinder in social infrastructure.

The project at a glance

Project Name	Two Counties Police PFI
Location	Wymondham Aylsham Great Yarmouth Ipswich Bury St Edmunds King's Lynn
Description	Project to build and run six new police investigation facilities in Suffolk and Norfolk
Sponsors	Uberior Infrastructure Investments (part of Lloyds Banking Group) Kier Project Investments Reliance Secure Task Management
Project Duration (Including construction)	25 years
Total Project Value	£69
Total equity	£6 million
Equity Breakdown	Uberior Infrastructure Investments (part of Lloyds Banking Group) - 42.5 per cent Kier Project Investments - 42.5 per cent Reliance Secure Task Management - 15 per cent
Total senior debt	£63 million
Senior debt breakdown	Lloyds Banking Group - 40 per cent - £25 million Helaba - 30 per cent - £19 million RBS - 30 per cent - £19 million
Debt:equity ratio	90:10

Mandated lead arrangers	Lloyds Banking Group, RBS, Helaba
Legal Adviser to sponsor	Osborne Clarke + Clyde and Co advising Kier
Financial Adviser to sponsor	Grant Thornton
Legal adviser to banks	DLA Piper
Legal adviser to government	Pinsent Masons
Financial adviser to government	KPMG
Technical and commercial adviser to government	Mott MacDonald
Date of financial close	25 February 2010

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