

# IBM advises Royal School of Military Engineering on innovative £3billion PPP procurement

## Overview

### ■ Business challenge

*To acquire a private sector partner to assist RSME in delivery of individual training in order to achieve best value for money whilst maintaining or improving the quality of training delivered.*

### ■ Solution

*In creating an innovative £3 billion Public Private Partnership (PPP) for training delivery, training support, construction and maintenance, the RSME drew upon specialist PPP and commercial support from IBM.*

### ■ Key benefits

- *IBM provided expert assistance to RSME in articulating complex requirements so that the market was able to respond with an appropriate solution*
- *IBM played an important role in analysing risks and assessing value for money, thereby providing confidence in securing internal approvals*
- *The procurement successfully accommodated late changes to requirements in catering, retail and leisure through responsive support from IBM.*



*In an operational engineering first, engineers lay an air portable ferry bridge across the River Helmand in just seven hours*

Operating under constant threat of attack from enemy insurgents, Royal Engineers recently installed a huge turbine at the Kajaki Dam in Helmand Province, Afghanistan, helping rebuild that country's infrastructure. This is the latest example in the Royal Engineers' 900-year history of blazing a trail of innovation and achievement in major world conflicts and humanitarian activities.

Responsibility for the individual training of the Royal Engineers falls to the Royal School of Military Engineering (RSME), which operates from sites in Kent, Hampshire and Leicestershire. Premises and facilities were falling below the standards required in the 21st century army, so RSME set about acquiring a private sector partner to assist in its delivery of individual training in order to deliver best value for money whilst maintaining or improving the quality of training delivered.

Working in partnership with IBM and specialist advisors, RSME has closed a £3 billion, 30 year Public Private Partnership (PPP) deal. The contract transfers responsibility for some training and training support services and facilities management for 1,200 trainees each year to a private consortium, which will see the transfer of some 400 civilian staff to the private sector, together with the release of over 300 highly skilled military personnel back to the Field Army.

In addition the contract will deliver new build, refurbishment and ongoing maintenance of buildings and the accommodation of some 1,700 military personnel.

## Business benefits

- Early definition of requirements allowed RSME to evaluate the most appropriate bidder proposals and select the best partner
- RSME had confidence in its presentation to the Investment Appraisal Board through IBM's support in analysing risks and assessing value for money
- RSME accommodated changes to requirements in catering, retail and leisure through responsive support from IBM
- MOD's development of the optimum strategy for the disposal of 470 hectares of surplus land benefited from IBM's expert and innovative property advice
- Evaluation of the project benefits supported by IBM identified improved training efficiency
- Dedicated staff from IBM helped secure knowledge retention and transfer within the project during the procurement process.

*“The IBM consultants have been with us throughout and provided invaluable skills. Without their sound commercial expertise and experience in estates management, it would have been all the more difficult for us to identify and manage the wide range of risks and put this major 30 year contract into effect.”*

– Steve Bull, RSME PPP Project Manager

## De-risking procurement

Specifying requirements for this 30-year contract and procuring a secure private partner were extremely complex undertakings.

RSME brought in specialists from IBM to provide commercial advice, assist in contract preparations, validate the best value for money, and quantify and apportion risk.

Following their appointment, IBM consultants analysed the requirements and helped produce a Public Sector Comparator, a model that enables comparison of value for money between a conventionally-financed programme and a Private Finance Initiative (PFI) or PPP procurement.

IBM supported the construction of the value for money case and provided risk consultants to undertake a risk analysis. This included examining ‘what-if’ scenarios using Monte Carlo assessments and an Optimism Bias assessment to ensure the contract was based on most likely outcomes.

These detailed reports were updated by IBM consultants throughout the procurement process, reflecting changes in RSME's plans and to the wider commercial environment. This ensured RSME had a constant set of comparators against which to check that the contract delivered best value for money.

## Commercial expertise

IBM deployed consultants with specialist knowledge of PFI/PPP contracts to work closely with staff from the project team, RSME, the Army Recruitment and Training Division and MOD centre. Together they helped draft and handle numerous revisions of the complex Statement of Requirements, the Pre-Qualification Questionnaire, the Invitation to Negotiate, and other documentation through to final contract.

The competitive private sector bids generated large volumes of information and different solutions to the RSME's requirements. IBM consultants assisted the procurement process in handling this and an evaluation framework was developed which enabled the different proposals to be compared on a level playing field.

The IBM team used its commercial experience to support the project team as it liaised with the three short-listed bid consortiums, interpreting how their commercial proposals were constructed and helping MOD ensure that they met the needs of the RSME.

“The consultants from IBM had particular skills in dealing with complex estates and facility management contracts, and offered expertise in the innovative application of public/private financing. These attributes sharpened our commercial approach and helped reduce the risks associated with such a large and long-term contract,” says Sue Hartfield, Head of Finance, RSME PPP Project.

## Change management

Towards the end of the negotiating period, timescales became tight. A late addition to the service element of the contract involved the introduction of 'Catering Retail and Leisure', a new multi-choice arrangement which replaced the daily food charge with a more flexible way for forces personnel to eat and relax. This presented a significant change to the risk profile of the 30-year contract and many thought such a change could not be accommodated at such a late stage.

IBM consultants deployed proven change management techniques to secure the commitment and buy-in of all parties, and fast-track solutions. The IBM lead consultant was appointed programme manager for the service elements of the PPP, and the contract was delivered to deadline to the satisfaction of both the RSME and the successful bidding consortium.

## A true partnership

RSME viewed IBM consultants as an integral part of its project team and advisors. The two organisations worked side-by-side throughout to achieve the objective of securing a best value-for-money commercial contract.

When RSME saw that the IBM consultants had particular expertise and skills in land and property management, these talents were quickly put to use in assessing potential land disposal options. The IBM lead consultant represented RSME in direct dealings with representatives of the bidding consortia and other specialist advisors, including commercial property agents. The final estate rationalisation will result in the disposal of some 470 hectares of land. IBM, working with MOD staff and other advisors, were instrumental in developing the innovative strategy to maximise the expected receipts from the main site at Chattenden and Lodge Hill.

Key to the trust and close partnership between RSME and IBM was the consistency of personnel involved throughout the contract preparation period. IBM specialists and RSME staff shared knowledge and information freely within the project, which made it easy to apportion new assignments and deal with new challenges.

"We have pushed the boundaries of public/private partnership. The IBM consultants have been with us throughout and provided invaluable skills. Without their sound commercial expertise and experience in estates management, it would have been all the more difficult for us to identify and manage the wide range of risks and put this major 30 year contract into effect," Steve Bull, RSME Public Private Partnership Project Manager, concluded.

## For more information

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## Key components

### IBM Services

- IBM Global Business Services
  - Supply Chain Management
  - Physical Asset Management
  - Procurement
  - Business Dynamics

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## At a glance

RSME, with commercial advice from IBM has entered into an innovative Public Private Partnership, under which it will benefit from a new and refurbished living, working and training environment. RSME can now focus on its core business, while the contractor delivers "trade" training, maintains the estate and provides other support services.



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