

Balfour Beatty



Analysts Day

1 November 2005



Working in partnership
to create superior
learning environments

Balfour Beatty



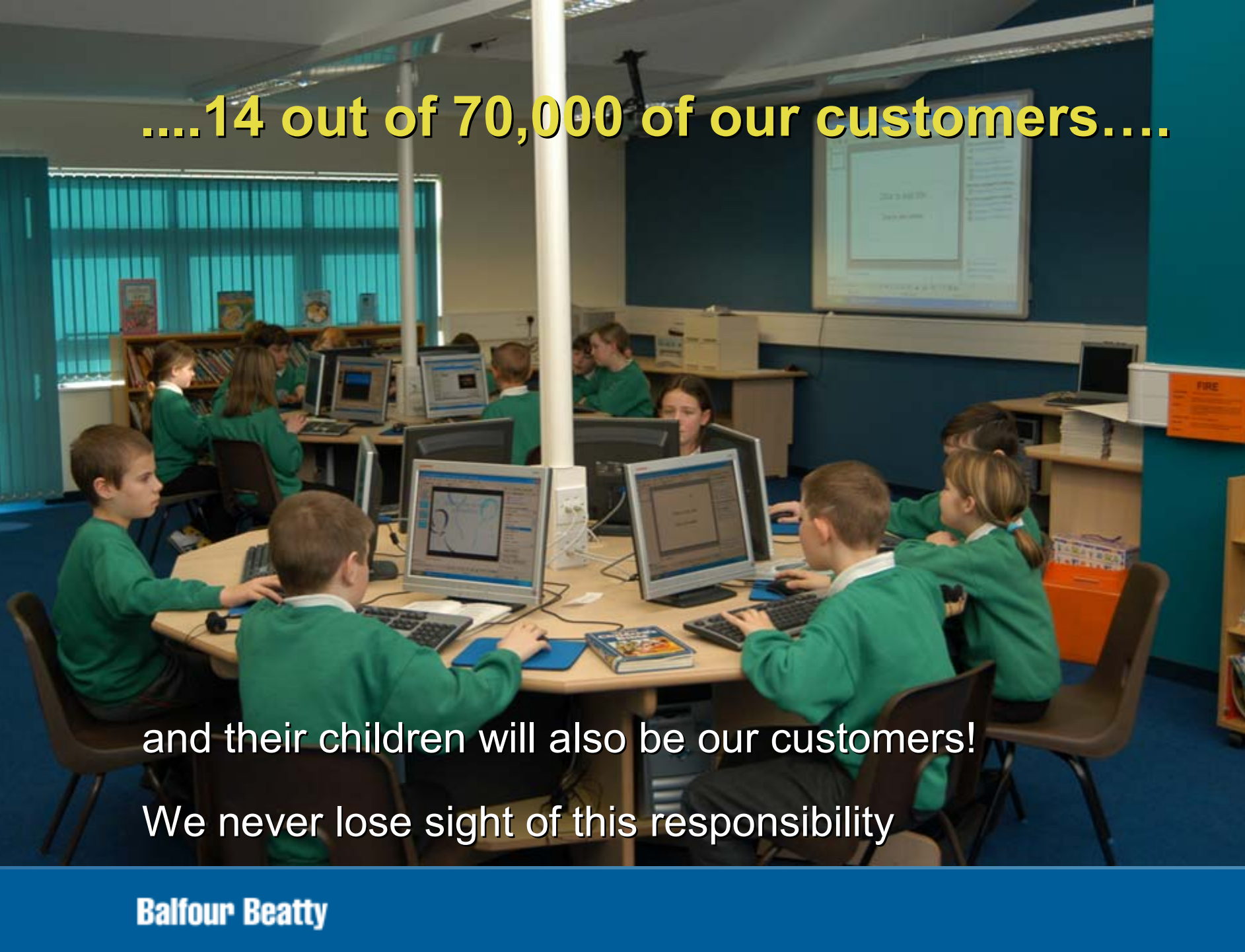
Mike Hudson

Chief Executive, Transform Schools



Balfour Beatty

Transform
schools



....14 out of 70,000 of our customers....

and their children will also be our customers!

We never lose sight of this responsibility

Agenda

- A brief history of Transform Schools
- Secured and bidding project profile
- Transform Schools culture / ethos and integrated solutions
- The strength / experience of our team
- Client relationships
- Opportunities for leveraging further work
- Transform Schools 'added value'
- Awards

A Brief History of Transform Schools

- Established in Stoke in October 2000
- Secured Rotherham in June 2003
- Secured North Lanarkshire in June 2005
- Secured Bassetlaw in June 2005
- Preferred bidder on Birmingham. Close end 2005
- Currently bidding Aberdeen, Oldham under PFI
- Currently bidding Newcastle and Knowsley under BSF
- Working with Stoke CC on the interface of BSF with existing PFI
- Perceived as a market leader

Secured and Bidding Project Profile



Secured Project Profile

<i>Secondary</i>	<i>Commencement</i>	<i>Concession period</i>	<i>Capex period</i>	<i>Secondary</i>	<i>Primary</i>	<i>Nursery</i>	<i>Special</i>	<i>Post 16 centres</i>	<i>Leisure Centres</i>	<i>Total number</i>	<i>Capex Value</i>
Stoke-on-Trent	25/10/00	25 yrs	5 yrs	17	88	11	6			122	£80m
Rotherham	13/06/03	30 yrs	3 yrs	6	9					15	£94m
North Lanarkshire	08/06/05	30 yrs	3.75 yrs	3	21					24	£140m
Bassetlaw	12/07/05	25 yrs	2.5 yrs	5			1	2	2	10	£120m
Birmingham*	End 2005	30 yrs	2.5 yrs	2	11					12	£69m
				33	129	11	7	2	2	183	£503m

* Preferred Bidder

Secured Project Profile - Services

<i>Project</i>	<i>Hard FM</i>	<i>Grounds Maintenance</i>	<i>Cleaning</i>	<i>Catering</i>	<i>Security</i>	<i>Energy Management</i>	<i>Caretaking</i>	<i>TUPE Transfers</i>
Stoke-on-Trent	✓					✓	✓	
Rotherham	✓	✓	✓	✓	✓		✓	✓
North Lanarkshire	✓	✓	✓		✓	✓	✓	✓
Bassetlaw	✓	✓	✓	✓	✓	✓	✓	✓
Birmingham	✓	✓	✓		✓		✓	✓

Some examples of our schools



Some examples of our new schools



Balfour Beatty

.. and schools under construction...



Culture, Ethos and Integrated solutions

- Freeing BBCL, BK and HBML to do what they are good at
- Engage appropriate staff
- Involve the concession staff for several months prior to close
- Integrate and communicate with Contractor and FM Operator
- Establish single project office for Transform, CJV and HBML
- Adopt a strong partnering ethos with all stakeholders

Culture, Ethos and Integrated solutions

- Establish robust BSI accredited project specific controls
- Project wide focus on Health, Safety and Environment
- Partner with customer in community engagement strategies
- Establish KPI's
- Build trust, honesty and openness
- Operational and bid team workshops to drive best practice
- Deliver beyond the requirements of the contracts
- Listen, review, support, react, feedback, help, participate, be flexible.....

.. some more of our 70,000 customers..



Reminding us again of our responsibilities

The strength of our people

- Transform Schools general managers have all operated successfully at director or partner level
- Transform Schools teams built around professionals with strong support from BBCPL specialisms
- Focussed training programmes
- Passionate and dedicated
- Mirrored by equivalent skills and professionalism within the project teams of the CJV and FM Operator

Impact of culture / ethos on our Clients

STOKE-ON-TRENT SCHOOLS' ESTATE P.F.I. PARTNERING CHARTER

We, the Council of the City of Stoke-on-Trent ("the City Council"), Birmingham Catholic Diocesan Schools Commission, the Lichfield Diocesan Board of Education and Transform Schools (Stoke) Limited ("Transform Schools") record in this Partnering Charter, in the presence of Jacqui Smith the Parliamentary Under-Secretary of State for School Standards, our mutual aims and intentions regarding the implementation and operation of a contract dated 26th October 2000 entered into by the City Council and Transform Schools under the UK Private Finance Initiative, pursuant to which Transform Schools will be responsible (inter alia) for the repair, maintenance and refurbishment of City Council and Voluntary Aided schools within the City of Stoke-on-Trent.

Whilst this Charter has no formal legal effect, we nevertheless hereby firmly and irrevocably commit ourselves morally to abide by the spirit of this Charter and to recognise, respect and promote each other's aims and interests concerning this project.


Our Philosophy

We shall conduct our relationship in a spirit of honesty, openness, and co-operation, with a positive attitude, with mutual trust and respect; recognising each other's needs and concerns; expressing our own concerns openly and courteously; understanding each other's problems; adopting a flexible and innovative approach to challenges; with an ambition of excellence in the performance of the contract and the conduct of our relationship; recognising that we are a single team with an overall common goal; we shall aim to settle any disputes that may arise between us quickly and amicably.


Our Common Goal

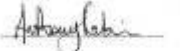
To complete the works within the project on time and with the minimum of disruption for pupils, staff and governors; to produce an environment in the schools which is conducive to the delivery of education and the promotion of learning in the 21st Century with the intention of raising overall educational standards within the City of Stoke-on-Trent.


Dated this 27th day of November 2000


Signed by
Councillor Barry Stockley
for and on behalf of the Council
of the City of Stoke-on-Trent.


Signed by
Rev. Father Marcus Stock
for and on behalf of Birmingham
Catholic Diocesan Schools Commission


Signed by
Alan Buttersworth
for and on behalf of the Lichfield
Diocesan Board of Education


Signed by
Anthony Rakis
for and on behalf of Birmingham
Schools (Stoke) Limited


Signed by the said
Jacqui Smith
Parliamentary Under-Secretary of
State for School Standards



NEW BUILD AND REFURBISHMENT OF 15 SCHOOLS FOR ROTHERHAM

PARTNERING CHARTER
between
Rotherham Metropolitan Borough Council
Transform Schools (Rotherham) Limited
&
Balfour Beatty Construction (UK) Ltd, Balfour Beatty
Rotherham Schools Joint Venture
&
Haden Building Management

Working together to serve Rotherham's learning community

Our objectives are:

- To deal with each other in a fair, reasonable, trusting and professional manner
- To understand our respective roles and obligations in the project, including those to third parties, and communicate this to all levels of our organisations
- To understand our individual capacities for the project and work to rationalise these at all times, recognising that at times they will be different.

In recognising the above objectives, we will:

- Communicate openly and honestly
- Respect each other partners' right to manage their own obligations
- Foster positive working relationships, a spirit of co-operation and collaboration
- Encourage networking and a spirit of mutual support and trust
- Treat each other with mutual respect at all times - avoid personal conflicts
- Endeavour to achieve timely and accurate two way information flow between the partners
- Acknowledge each partners' right to commercial confidentiality where appropriate
- Seek ways for mutual project enhancement through innovation and open appraisal of options
- Work to adhere to zero lost time accounts
- Avoid disputes by resolution of differences at the lowest management level possible with formal procedures being the absolute last resort
- Work together to minimise risks to the project
- Strive to achieve mutually solutions to problems and avoid a blame culture
- Arrange collaboration where appropriate in public relations issues which should be provided for all the partners
- Encourage joint social events
- Administer the project in a fair manner to all parties
- Encourage a happy and dedicated team working environment

Rotherham
Metropolitan
Borough Council
The best place to live, learn and work

transform schools

RSJV
Rotherham Schools Joint Venture

Haden
Building Management

Opportunities for leveraging further work

- Through variations
 - Stoke - £20m capex to date
 - North Lanarkshire - £15m capex likely
 - Rotherham – discussions ongoing
- Through associated opportunities
 - Stoke – BSF work of £184m projected
 - Stoke – HBM to provide services outside the PFI?

Transform Schools 'added value'

- Strength of partnership and integration of stakeholders
- Strong relationships between SPC, JV and FM provider creates harmony and efficiency
- Strong relationships with equity partner and lenders gives support for flexibility and development

Awards



.. and to leave you with a few more
of our 70,000 customers....



Graham Sinclair

Acting Strategic Leader,
Rotherham Metropolitan
Borough Council

Balfour Beatty



Richard Benfield

Project Director, Rotherham Schools



Balfour Beatty

Transform
schools

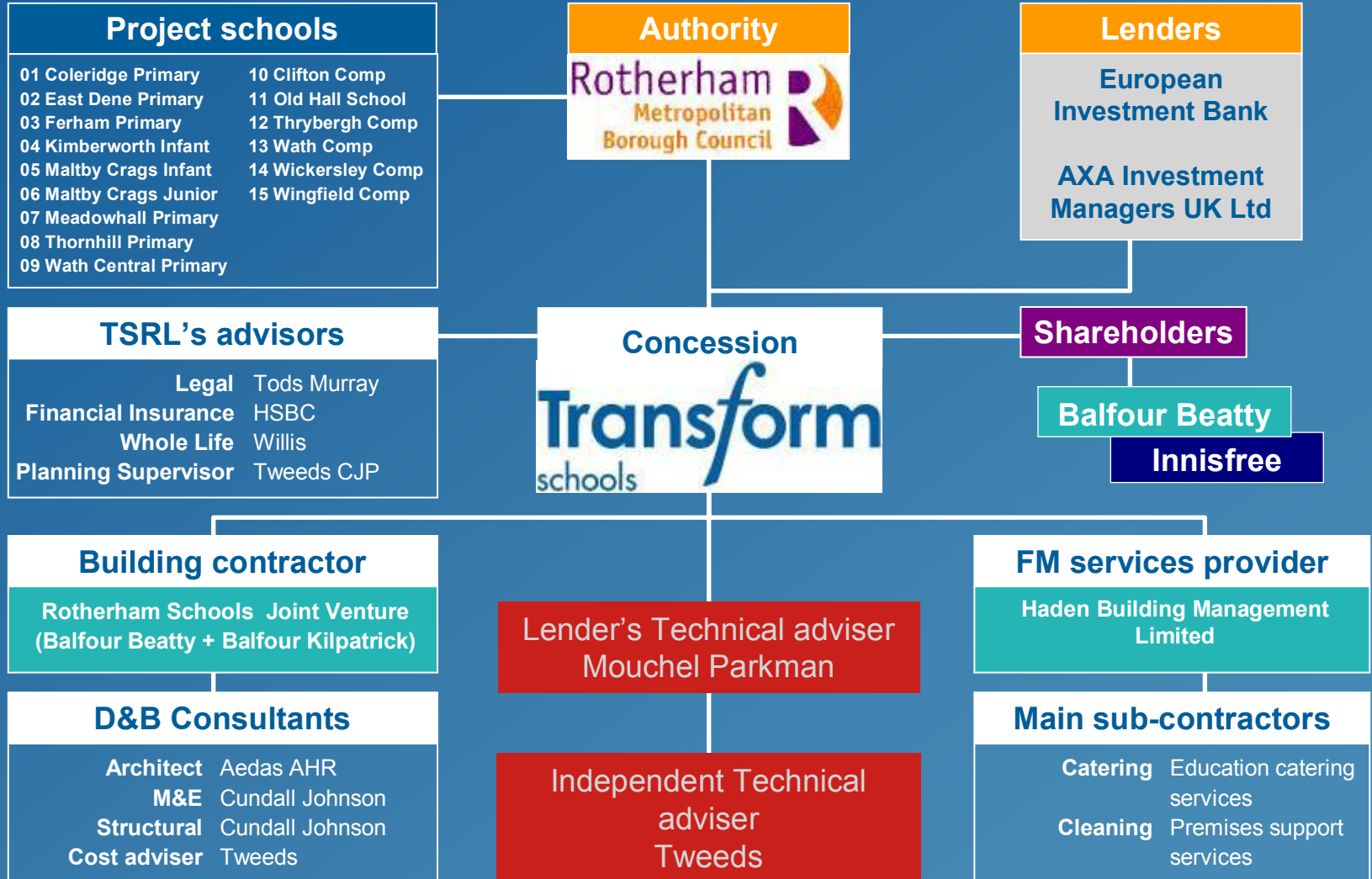
The Rotherham Schools PFI Project

- Project background
- Status report
- The role of the SPC
- The building contractor
- The facilities management contractor
- Balfour Beatty and shareholder commitment & added value

Rotherham Schools PFI Project

- £94m capital works value
- 17 schools reducing to 15
- 67% new build and remodelling
- 33% refurbishment
- 6 secondary schools, 9 primary schools
- Capital works programme complete early 2007
- Thirty year concession
- Hard and soft services
- Community use emphasis

Contract structure



Transform Schools (Rotherham) Ltd

- Resident in Rotherham (with building contractor and FM contractor)
- Manages the life cycle budget
- Supervises the performance of the two main subcontractors
- Appoints the Planning Supervisor

Building contract...

- Rotherham Schools Joint Venture
- Balfour Beatty Construction Ltd – building contractor
 - Balfour Kilpatrick – mechanical/electrical contractor
- Commenced building programme in April '03
- Handed over first school April '04
- All sites on programme
- Construction complete December '06

Management of FM services

Haden Building Management

- Wholly owned subsidiary of Balfour Beatty plc
- Over 8000 employees (Majority transferred under TUPE)
- Experience in PFI health and education schemes
- Facilities management for clients such as Inland Revenue, Post Office (50% ownership of ROMECC)
- Dedicated contract management team - Rotherham based
- Management, technical and specialist support from within Haden
- 24/7 help desk in Rotherham



Management of FM services

Haden Building Management

- Delivery of FM soft services
 - Caretaking – 23 caretakers TUPE transferred for April 04
 - Catering – subcontracted to the Council's ECS
 - Cleaning, waste management and pest control – subcontracted to the Council's PSS
 - Grounds maintenance – subcontracted to Mitchell and Struthers
 - Security – remote monitoring by ROMEK
- Delivery of FM 'hard' services
 - Asset maintenance – planned and reactive

Transform Schools shareholder commitment

- Value added initiatives
 - I love my school campaign
 - Partnering assessment tool
 - Classroom of The Future
- Community inclusion



Maximising community use of the schools

- Council's brief sought solution for addressing community use
- Dedicated space paid for within unitary charge
- Transform Schools bid proposed to jointly set up and manage a not for profit company to:
 - Foster relationships with local communities
 - Oversee the letting of space out of hours
 - Bid for external funds to enhance school/community facilities

Maximising community use of the schools

One year on ...

- Building Learning Communities Ltd
- Partnership buy-in from Council, Primary Care Trust and Transform Schools
- Lettings managed by BLCL from Sept 04
- Awards resulting from this development



Bassetlaw Schools PFI Project

- £120m capital works value in Worksop Retford and Tuxford
- Five secondary schools, two Post 16 centres and one special school
- Two Leisure centres
- Capital works programme complete early 2008
- Twenty-five year concession
- Hard and soft services

David Donaldson

Managing Director
Balfour Beatty Construction, North

Introduction

- Schools programme to date
- Design
- Delivery

PFI Schools Programme (2000 – 2008)

	No's Schools	Value £m
Stoke	87	80
Rotherham	15	94
North Lanarkshire	21	140
Bassetlaw	8+2 leisure centres	120
Birmingham	12	69
Design and Build Totals	143	503

Therefore it follows:

- We must have :-
- Established Supply Chain:
 - Design
 - Suppliers
 - Subcontractors
- Technical Expertise
- Standardisation
- It must be easy – No

Design Wins:

- Who do we target?
 - Council
 - LEA
 - Head Teacher
 - CABE
 - Local Planning Authorities

Aspirations

- Inspirational learning/teaching environments
- Facilities for the school and the community
- Future flexibility and adaptability
- Comfortable/sustainable environments

Technical

- Disability Discrimination Act 1995 (DDA)
- Special Education Needs & Disability Act
- BB93 Acoustics
- BB95 Schools for the Future
- BB98 Area Provision
- Part L2 Conservation of Fuel and Power
- Part E Resistance to the Passage of Sound

Framework Designers

- Architect – Aedas, Watkins Gray International, Comprehensive Design
- Civil/Structural Engineer – Cundall Johnson, Whitbybird, WSP
- M&E Engineer – Cundall Johnson, Whitbybird, WSP
- Fire Spec – Whitbybird, SAFE
- Acoustic – Sound Research Laboratories
- Sustainability – Whitbybird
- SIGN OFF / CERTAINTY

Site Resources

The Supply Chain

- Partner – Balfour Kilpatrick Building Services
- Embedded
 - Ceilings – Armstrong
 - Fixed Partitions – Knauf
 - Flooring – Tarkett Marley
 - Doors/Ironmongery – Swedor
- Framework
 - Steelwork – Billingtons/Barrets
 - Brickwork – Marlborough
 - Windows – Williams Architectural

Site Resources

- Preferred
 - Subcontractors with known performance records local to each division
 - Subcontractors to supply and fix embedded suppliers products
 - Subcontractors
- Joint Procurement Initiative
- Buildable Design
- Standard Detailing

The way forward

Continue as a major player in the schools programme:

- The Schools Programme
 - Building Schools 4 Future
 - Newcastle, Knowsley
 - Frameworks
 - Manchester, Stoke
 - PFI
 - Schemes within Scotland

The way forward

- Stay ahead of market by:
 - Integration and partnership with other Balfour Beatty Companies
 - Engaging the client throughout the process
 - Delivering the basics
 - Ensure strength and depth in the Bid teams
 - Keep up to date with market developments
 - Ensure feedback and learning from previous projects
 - Market the product effectively
 - Stay ahead of the competition

Ian Tyler

Balfour Beatty

The key characteristics of a successful services business

- Thoroughly understanding the customers' challenges
- Sharing the customers' perspective
- Showing a single face to the ultimate customer
- Efficient systems, superior staff
- Innovation / added value

The key characteristics of the Balfour Beatty Group

- Serving owners / developers of infrastructure with complex needs
- Taking as many of their problems away from them as they define
- Offering integrated expertise from across the value / supply chain
- Market leading expertise and presence in all of our business
- Outstanding levels of technical competence and delivery capability, backed by financial strength
- Rigorous disciplines in bidding, managing and executing

The way ahead

- Expand PPP Portfolio
- Broaden offer to established customer base
- Longer term opportunities in Asia and North America

Working in partnership
to create superior
learning environments

Balfour Beatty