



## 'Accommodating Growth'

- New strategies for flexible, risk averse property acquisition

### Introduction

Vanquis Bank, a 'specialist' credit card provider, is a wholly owned subsidiary of Provident Financial. In the five short years that it has been in business it has grown to be a leading 'player' in its field and is now threatening its larger and more established competitors.



The Bank is an example of a new breed of dynamic and forward thinking company. These organisations have recognised that in today's uncertain world, aligning future business plans with investment in their operational resources, requires thinking beyond the traditional approaches to capital projects. These include high risk investments such as property procurement.

This case study describes how Vanquis, adopted such a strategy to procure a new operational headquarters in Chatham, Kent, to house its 400 plus employees. In doing so the Bank avoided the long-term risks associated with property acquisition.

### The challenge – increasing capacity without incurring high legacy costs

Established in Chatham in 2003 the Bank's business had expanded rapidly, and its operation was split over two locations. The bank recognised that it needed to consolidate its business into one centre to maximise its efficiency and provide room for future expansion.

Head of Projects and IT at Vanquis Bank, Mike Field explains the problem, *"The bank evolved from an initial pilot operation to becoming a very successful part of the Provident Financial business portfolio, and we had aggressive plans to expand the business further. A large part of this success was due to the skills and competence of our workforce in Chatham. A key part of any future strategy therefore would include a continued commitment to develop our operation within this local area."*

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Head of Projects and IT at Vanquis Bank

By the middle of the year the Bank's plans had moved on apace and they had identified a property that met all of their current and future needs. According to Field, Pembroke Court, a 51,000 sq ft facility a short distance from their existing locations 'ticked all their boxes'. However they recognised that a facility of this size and quality was rare in a small town like Chatham. To secure it they had to move fast. Despite the close proximity of the existing sites to the new one, transitioning between the two would prove a significant challenge. This was due to the financial burden of their extant lease commitments.

This presented the company with a dilemma. Should they carry the overhead of two existing properties and commit to all of the 51,000 sq ft available at Pembroke Court on day one, when their current operation demanded only 34,000 sq ft? Although the Bank was very confident that it would meet its expansion plans it was reluctant to absorb the additional and unnecessary operational cost. The bank decided to look at an alternative and more creative approach to property procurement and risk mitigation.

**Solution** – a 'holistic' approach to accommodation procurement and management



Mike Field explains how 'Occupier Solutions' specialist Port@I provided a solution that had the potential to solve their property dilemma; "Port@I stepped-in and suggested a 'third-way. They put forward a unique approach to property procurement that would enable us to occupy our

preferred choice immediately, on a 'managed' rather than lease basis.

He continues, "Port@I's proposal was in contrast to conventional property deals, as they took a holistic view of the bank's situation, including existing commitments, and options for exiting the new building at the end of the contract. The company then secured an agreement on the Pembroke premises and offered the Bank an 8-year deal with a completely clean exit (no dilapidations, penalties, capital write-offs or extant leases). This was opposed to the original 15-year term with a 10-year break offered by the landlord. Furthermore the Bank only had to commit to two thirds of the space rather than the whole premises. This gave us exactly what we wanted at the time we wanted it." Effectively, this reduced the Bank's commitment to property by almost 50%.

According to Field, Port@I was able to bundle the Bank's requirements into an operational solution that included the following elements:

- The space the bank required at the time – with options to move into additional space in the future
- The infrastructure, including the comms room, cabling, power provision and resilience, workstations, security components, kitchen and break-out facilities
- Support services, including FM and security
- Guaranteed initial delivery and then ongoing delivery of the infrastructure and support services to specific standards
- Clean exit – no legal fees, dilapidations or capital write-offs, and no lease overhang

**Implementation** – a strategic property partnership

Port@I took responsibility for the entire implementation. Although the timescales were tight, they agreed to implement the entire solution within 3 months from taking occupation of the building.

Whereas implementation is normally another risk area, with overruns of both time and budget being the norm, Vanquis were able to rely upon the project management, resources and delivery expertise of Port@I. Field comments, "Port@I's role in this project far exceeds that of a normal supplier. In fact we view them more as a strategic property partner. For example, a strong relationship at the operational level meant that decisions could be made quickly. Therefore the



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Vanquis Bank

barriers that would usually have threatened projects like this, such as achieving the Licence to Alterations, legal negotiations, and simply having the practised and available resources, were overcome by Port@l's involvement and leadership."

**Results** – a new managed facility, delivered within three months, with minimum disruption



This solution enabled the bank to achieve the following:

- A new operational centre that could accommodate their entire operation under one roof
- Ability to move 2 years earlier than it would with other alternatives
- Flexibility to occupy additional space if and when the business demanded and pay only for what they used
- Mitigated the risk of unpredictable future developments such as credit crunch, property slumps, variations in product demands and other imponderables
- Port@l shouldered the capital burden of the 'fit-out' costs as part of their solution
- A term that was much more in keeping with the Business's planning horizon
- Enabled a clean 'walk away' at the end of the contract with no legal fees, dilapidations or capital write-offs, and no lease overhang.

## Summary – a blueprint for the future

Mike Field summarises the key points of the decision process and the relationship with Port@l, "Often many parties are involved in projects of this nature. Typically these range from agents to various contractors both during implementation and ongoing delivery, each with their own interest. This gives rise to potential conflict, abdication of responsibility and introduction of additional costs and time delays. And typically nobody, other than the occupier, is interested in the exit from current premises, nor the ultimate exit from the new. Furthermore, businesses naively believe that they are achieving flexibility by negotiating lease breaks. Often though, these breaks are meaningless as they are un-exercisable because the exit costs are too high."

He continues, "The approach adopted by Port@l threw an umbrella over all of these components and simultaneously provided accountability, transparency and simplicity. From our perspective this continued for the entire duration of the engagement from implementation, through delivery and on to exit. The 'Occupier Solutions' agreed with Port@l took true account of Vanquis's drivers, objectives and constraints to deliver a tailored, flexible and cost-effective solution. The project was delivered on time and the ongoing delivery is and will be measured on a daily basis throughout the contract."

He concludes, "We are bankers, not property experts. By becoming a strategic partner in the provision and delivery of the property solution, Port@l has not only shared in the risk but were motivated to manage risk out of the project. This allowed us to concentrate on our core business. A win-win situation for both parties".



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**port@l**

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