



UPP staff assisting students at Loughborough University

Asset Management

Since 1998, UPP has been providing services to the Higher Education (HE) sector, delivering risk transfer solutions for the funding, design, build, and operation of university accommodation. To date, UPP has invested over £1 billion into the sector, currently delivering management services to more than 20,000 rooms with 11 university partners.

Since its inception, the operational strategy of UPP has been clear. UPP Residential Services Ltd (URSL) was established in August 2005 with a mission to be the leading provider of specialist facilities and estates management services to universities across the UK.



UPP's facilities management services at Loughborough University

The UPP approach involves the development of long-term partnerships with universities for up to 50 years. UPP offers bespoke solutions for the management of existing university operated student accommodation and the provision of Facilities Management (FM) services to university non-residential space.

Following discussions and feedback from our university partners, a new UPP outsourcing business framework has been carefully structured to offer:

- Hard and soft FM services
- Revenue management
- Whole life cost management and asset maintenance
- Performance and availability regimes
- Construction negotiation, implementation and delivery management
- Project management
- Design management

By transferring operational risk to UPP, universities can focus more closely on its core activities of teaching and research. This is particularly important during a period when the sector is experiencing increased pressure to meet ever higher student expectations of quality and in an environment of funding restraint.

One approach: A VAT efficient joint venture

It is generally recognised within the HE sector that provision of a number of specialist non-core services can be carried out more effectively by the private sector.

The delivery of this outsourcing model has in the past proved problematic due to the creation of a VAT liability on the cost of the services that does not presently exist, making the solution less economically viable. This VAT liability arises by transferring the provision of the services to another entity outside of a university's VAT group.

UPP has now developed a potential solution to this issue. The key elements are:

- The establishment of a joint Special Purpose Vehicle ("joint SPV"). The university would have a 51% shareholding within the joint SPV while the proposed private sector provider would have a minority shareholding (i.e. 49%). The joint SPV would be registered for VAT within the same university VAT group.
- If there are any employees undertaking the relevant services they will be transferred to the joint SPV by way of TUPE therefore relieving the university of this liability.
- A Service Level Agreement between the university and the SPV will be established and a contract put in place.
- The private sector provider enters into a back to back agreement to manage the people within the joint SPV and also the delivery of any non-employment related services. Continuity of services is maintained by passing down the obligations to each of the respective entities.
- The joint SPV will be non profit making, although a margin may be required to support the SPV's administrative costs.
- The private sector provider takes the risk of employment costs, performance and availability through the contract with the joint SPV.
- The private sector service provider is responsible for the management of personnel and their remuneration, including the provision of payroll services.
- There will be a shareholders agreement put in place between the university and the service provider to govern the above relationship.
- The university therefore passes control of the SPV to the private sector, avoiding the need to consolidate the financial results of the SPV on the University's financial statements.

The deal has made a huge difference to the university's ability to get on with other projects. To have all the maintenance work taken out of our hands is an added bonus.

Andrew Neal
Chief Operating Officer,
Lancaster University



Lancaster University's £180 million-plus programme, the largest accommodation project in the HE sector with 4,348 rooms

This proposed structure allows the university to:

- Transfers operational risk to a trusted partner
- Fix the cost base for FM across its estate
- Focus on core elements of provision
- Define and improve service levels
- More effectively monitor and review performance

UPP can offer its partners a range of possible approaches developed on a bespoke basis for both residential and non-residential accommodation. We would be pleased to host a visit for you to one of our current operations, to see at first hand our commitment to your sector and your business.

UPP's university partners

University of Exeter
University of Kent
Lancaster University
Leeds Metropolitan University
Loughborough University
University of Nottingham
Nottingham Trent University
Oxford Brookes University
University of Plymouth
University of Reading
University of York

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