



CASE STUDY

Government of Bermuda

› OPTIMIZING THE PROPERTY PORTFOLIO



1. INTRODUCTION

The Government of Bermuda is the governing authority of the Islands of Bermuda, a self-governing British overseas territory in the western North Atlantic Ocean. Bermuda is an archipelago with total area of about 21 square miles.

The Department of Public Lands & Buildings (DPLB) is the custodian of the property assets for the Government of Bermuda. The DPLB is responsible for managing the government's property portfolio and providing diverse services. Project management is a crucial part of this department's work, and they use tailored PRINCE2® themes and processes to optimize their operations. As the estates management and valuation surveyor for the DPLB, my role involves directly managing various aspects of the government's property portfolio.

This case study will explore the implementation of a property management action plan to restore the aging and deteriorating property portfolio.

2. BACKGROUND

The Islands of Bermuda are susceptible to harsh weather conditions, including exposure to the sea, tropical storms, and hurricanes. All of these directly affect the property in our portfolio. It takes a lot of effort to maintain our property assets, including high reactive and capital maintenance costs.

Unfortunately, the last global economic recession in 2008 seriously threatened our budgets. The property portfolio and the property maintenance plan has been neglected because of this. We needed to invest to bring our properties up to the required standards.

We decided to implement a property management action plan to help with raising capital to invest in the property portfolio, and to optimize the use of those assets. The action plan involves resorting to Public Private Partnership (PPP) initiatives.

2.1 WHAT INSPIRED THE WORK?

The status of the properties involved meant that the government was required to provide a high capital outlay or budget for renovation or redevelopment of the properties. However, because the government's budget was already overburdened, the deterioration of the property portfolio could not be reversed easily. We were not getting any benefits from our property assets.

The government's only feasible option was to keep the assets (because they couldn't be sold profitably) without making any improvements to them. This situation meant that the DPLB would be overseeing the running down of the value of the assets.

2.2 WHAT WERE THE DRIVERS FOR CHANGE?

Some factors that drove this project included:

- › We needed properties to support the government's aspirations, which included increasing tourism. For example, improvements to properties in National Parks will encourage patronage of the site, which is key to tourism development opportunities
- › Facilitating the growth of local businesses and supporting charitable organizations by providing them with facilities to use as their base of operations
- › Deteriorating assets owned by government were seen as a waste of public resources

2.3 CONTEXT

After becoming a PRINCE2 practitioner in Feb 2020, I incorporated the method across all work and projects that were allocated to me. This project involved managing the six aspects of project performance: benefits, cost, timescales, quality, scope, and risk. These targets were tailored in line with the government's set requirements. We adapted the full PRINCE2 method in line with such performance targets in order to enhance the benefits of using PRINCE2 method to manage a project within a programme and within an organization where PMP was previously used.

This project involves a number of PPP initiatives, of which I am responsible for three PPP initiatives. They are:

- › **Teucer House:** built in 1903 as a private residence, was acquired by the Government of Bermuda and adapted as an office facility for service delivery. The property has been retained by the government because it has a lot of potential. However, it suffered fire damage in 2013 and remains unrestored and derelict. We have decided to lease this property to a private investor, who will work to rebuild the property and repurpose it to be either a hotel or a care home for the elderly.
- › Various buildings within **Admiralty House Park:** these are very dilapidated. Certain charitable organizations are going to fund renovation and improvement works, then put the properties to good use as resource centres for the organization and the community.
- › **Horse Shoe Bay Beach House Café:** located in the most popular beach resort in Bermuda. This property is aged; it needs investment to facilitate desired improvements. A private hospitality investor is investing and will design, build, and operate a new beach resort facility under a favourable leasing arrangement.

3. AIMS AND OBJECTIVES

The aims and objectives of the project are to:

- › implement a property management strategy that will result in the renovation or redevelopment and efficient use of aged, deteriorating properties through PPP initiatives
- › save aging properties or assets from further deterioration and devaluation
- › avoid wasting public assets or resources
- › inject capital investment into public assets and safeguard asset value
- › partner with local businesses and facilitate business and economic growth
- › generate revenue or redirect public funds to other important sectors that are competing for funding.

3.1 POTENTIAL BENEFITS

The benefits to this project include:

- › improvements to public property assets
- › efficient use of property assets
- › reducing government expenditure and releasing financial resources to be redirected to other important services, sectors, or facilities
- › increased public confidence in the government's management of public assets
- › releasing public assets to support or encourage local private investment and economic growth
- › supporting growth in private local businesses through PPPs.



4. APPROACH

4.1 SPECIFICATION OF REQUIREMENTS

We had to run our projects in a way that mainly utilized private financial investment, with limited government funding. In consideration of the level of private investment, the government granted appropriate leasehold concessions that will make the investments worthwhile.

The work on each individual property is considered an independent PRINCE2 project. Any projects facing unfavourable circumstances that hindered its progression could be stopped. Due to the similarities in the projects, and because I intend to apply the same processes to each one, I am overseeing all of my work as a programme.

"The PRINCE2 principles, themes, and processes have been instrumental to the various strands of my work."

Kofi Agyakwa-Duodu, Government of Bermuda

The PRINCE2 principles, themes, and processes have been instrumental to the various strands of my work. Some of the key components that I considered were the objectives, potential partners, resources, planning, and scheduling.

The PRINCE2 principles that were most crucial to these projects were continued business justification, learning from experience, defining roles and responsibilities, managing by stages and by exception, and focusing on products. Everything was tailored to suit the individual projects and the government's requirements.

In terms of the themes meeting the government's aspirations, aspects of the business case, organization, quality, plans, risk, and change themes were observed. We also followed the PRINCE2 processes.

5. THE PLANNING PROCESS

When planning the management plan of action, highlights from the Asset Management Plan were referenced. When we were seeking government approval, decision reports were prepared, including business cases, to help us receive the go-ahead from the relevant authorities in government.

The tailored PRINCE2 principles, themes, and processes helped us to plan the projects' lifecycles. The high-level project plan involved addressing the relevant components (PRINCE2 Guidance on composition of Project Plan, AXELOS* 2016), which were:

- › Plan description: a brief description of what is involved in the plan and the approach for the planning
- › Plan prerequisites: basic aspects that need to be in place, and remain in place, for the plan to work successfully
- › External dependencies: things or tasks that may influence the plan
- › Planning assumptions: assumptions that the plan is based upon
- › Delivery approach: descriptions of approaches to be used
- › Lessons incorporated: details of relevant lessons from previous similar projects, which have been reviewed and accommodated within this plan
- › Monitoring and control: a description of how the plan is to be monitored and controlled
- › Budgets: budgets relating to time and cost, taking into consideration risks and changes
- › Tolerances: tolerances relating to time, cost, and scope
- › Product descriptions: description of the products considered within the scope of the plan
- › Scheduling: a timeframes of the work's expected duration and any timebound constraints to the project

* AXELOS Limited, a joint venture company created in 2013 by the Cabinet Office on behalf of Her Majesty's Government (HMG) in the United Kingdom and Capita plc (CPL), was acquired by PeopleCert in June 2021.

6. SCOPE AND TIMESCALE

Before we could start work on the project, we needed certain information. This included:

- › ensuring that the redevelopment and use scheme met government restrictions and goals
- › confirmation that we were operating with our financial capability
- › the development/planning consent being granted for the works and use of the properties.

The timescales for the individual projects were dependent on the timeframe within which appropriate investors could be selected or approved. More importantly, the works could not be started before we had development/planning consent so that we could legally develop the properties.

For all the identified projects, based on the extent of the expected work, six months had been allowed for the development/planning process and 12–18 months has been allowed for the execution of the work.

The anticipated completion dates for the various projects are:

- › Admiralty House Park buildings: March 2021
- › Horse Shoe Bay Beach House Café: April 2022
- › Teucer House: September 2022

7. CHALLENGES

We have experienced several challenges so far, and we expect to face more over the remaining duration of the programme.

One challenge was that prospective investors were concerned about the non-freehold disposal arrangement; they wanted to safeguard their investment in the properties. The limitations of the leasehold arrangement were discouraging investors. This was reviewed and raised as a risk to the realizing the objectives, so as mitigation assurance was given for the offer of up to twenty-one years less a day leases (where an investment warrants a longer term stake in the property), together with an option to renew such leases. This tend to provide some comfort to investors.

Initially, some people were concerned about the PPP initiatives. The thought was that if the investors were unable to deliver, the government would not be in a position to realize the aspired objectives. This was exacerbated because, due to the high capital expenditure involved in the projects, the investors have been susceptible to economic challenges. In fact, the challenges triggered by the COVID-19 pandemic are currently under review.

Addressing public expectations and concerns relating to the PPP initiatives has also been challenging. In some cases, these projects were misconstrued or misinterpreted as the outright transfer of the property to private or non-public entities. As this was a misrepresentation, further details of the leasing arrangements were provided to explain the initiative to distinguish what between a leasehold and freehold interest. The initiative does not involve an outright freehold transfer and granting of interest in the respective properties for a period of time, with the government retaining the reversionary (freehold) interest.

7.1 OVERCOMING THE CHALLENGES

When addressing the financial impacts on our investors, we made reasonable concessions and tolerances to allow for the successful completion of the projects over a reasonable time period, depending on the circumstances of each investor.

The ministerial support for the scheme resulted in the government resorting to winning public sentiment in support of PPP initiatives. Now, everyone knows that these projects are an opportunity to generate economic activity and drive growth.

8. LESSONS LEARNED

The lessons learned include:

- › PPP projects can generate significant results that are beneficial to a public entities, private entities, and the general public
- › this programme is a good avenue for generating resources (millions of US dollars) for investment in tangible property assets
- › collaborative efforts between public and private entities encourages confidence and trust in investment in public assets, which benefits the public in various respects
- › developing and adhering to a property maintenance plan which ensures budget allocations are made to ensure the properties are maintained at regular intervals, as necessary and as part of a well-planned asset management strategy aimed at changing the status of properties across the property portfolio of the Government.

As a lesson from these three projects, I recommend that the department must seek development/planning permission for similar projects. Also, seek the government's financial commitment alongside support or investment from the private sector, relieving the risk of dependency on 100% private investment.

In addition to this, an asset management strategy would ensure that the department adheres to planned maintenance plans for the aging property assets over the years. This would help to avoid the deteriorating status of the assets. These lessons would allow the government to make provisions for planned maintenance expenditure in annual budgets.

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Kofi Agyakwa-Duodu, Government of Bermuda

9. SUCCESSES

The three projects referred to in this case study are in various phases:

- › **Teucer House:** in phase 3 of 4 awaiting the development permit (after planning permission has been granted).
- › **Admiralty House Park properties:** in their final phase. Development and planning consents have been granted and the redevelopment works are being progressed.
- › **Horseshoe Bay Beach House Café:** in phase 2 of 4, where proposals from prospective partners/investors are being considered.

Some benefits have already been realized from all three projects. These benefits relate to finding investors willing to partner with the government to manage the aging and deteriorating state of the property assets, as well as generating good support for further PPP initiatives.

"Setting out a clear business case and maintaining continued business justification was crucial!"

Kofi Agyakwa-Duodu, Government of Bermuda

The incorporation of PRINCE2 principles has greatly contributed to the successes we have had so far. Setting out a clear business case and maintaining continued business justification was crucial. Other useful aspects of the PRINCE2 method included:

- › lessons learned/experience from previous projects
- › agreeing on roles and responsibilities early on
- › managing by stages
- › managing by exception, therefore increasing the government's control over the project
- › tailoring PRINCE2 to suit the projects' needs and the government's requirements.

Since the beginning of this programme, there has been increased confidence in PPP initiatives, which has led to positive impacts when addressing property asset investment issues. The government is now promoting PPP initiatives for the redevelopment of a number of redundant, vacant, or underutilized property assets. One example is a PPP initiative for the construction of an International Arbitration Centre in Bermuda on a site made available by the demolition of a dilapidated government property. Private investors have also gained confidence when partnering with the government to invest in property assets.

The government, private investors or organizations, and the public will share the use and benefits of these projects. They are also seen as initiatives to instil economic growth and prosperity. Investors are seeking opportunities with the government, which shows they have confidence in the government as a partner. Several press releases have shown positive feedback from both the investors and the public.

10. CONCLUSION

At this point, the individual projects are in progress at various stages. However, the projects are making good progress, addressing serious public property portfolio concerns. This success is driving public confidence and providing opportunities for future projects.

The initiative is now being incorporated into an Asset Management Plan for the government's property portfolio.

Seeing the initial benefits of the initiative and envisaging the wider benefits in other sectors of the government and economy, consideration is being given to implementing similar initiatives in the DPLB's property asset strategy.

Wider 'request for proposal' initiatives are being planned to deploy the strategy to improve other property portfolios that are currently vacant and requiring capital investment.

DISCLAIMER

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