



**CabinetOffice**

# Government Construction Strategy

May 2011

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# Executive Summary

The Government's Plan for Growth, published alongside Budget 2011, highlighted the critical importance of an efficient construction industry to the UK economy. The construction sector is a major part of the UK economy. It represents some 7% of GDP or £110bn per annum of expenditure - some 40% of this being in the public sector, with central Government being the industry's biggest customer.

There is widespread acknowledgement across Government and within industry – backed by recent studies – that the UK does not get full value from public sector construction. And that it has failed to exploit the potential for public procurement of construction and infrastructure projects to drive growth.

This strategy changes that. It calls for a profound change in the relationship between public authorities and the construction industry to ensure the Government consistently gets a good deal and the country gets the social and economic infrastructure it needs for the long-term. There is a detailed programme of measures Government will take that will reduce costs by up to 20% by the end of this parliament. To help industry work with us on this we will publish from autumn 2011 a rolling two year forward programme of infrastructure and construction projects on a quarterly basis where public funding has been agreed.

This strategy means that the public sector will become a better client - more informed and better co-ordinated when its requirements are specified, designed and procured. The strategy also challenges industry business models and practices. It will replace adversarial cultures with collaborative ones; and will demand cost reduction and innovation within the supply chain to maintain market position – rather than innovation that is focussed on the bidding process, with a view to establishing a bargaining position for the future.

The right model for public sector construction procurement in the UK is one in which:

- clients issue a brief that concentrates on required performance and outcome; designers and constructors work together to develop an integrated solution that best meets the required outcome;
- contractors engage key members of their supply chain in the design process where their contribution creates value;
- value for money and competitive tension are maintained by effective price benchmarking and cost targeting, by knowing what projects should cost, rather than through lump sum tenders based on inadequate documentation;
- supply chains are, where the programme is suited, engaged on a serial order basis of sufficient scale and duration to incentivise research and innovation around a standardised (or mass customised) product;
- industry is provided with sufficient visibility of the forward programme to make informed choices (at its own risk) about where to invest in products, services, technology and skills; and

# Executive Summary

- there is an alignment of interest between those who design and construct a facility and those who subsequently occupy and manage it.

Government has already committed to a range of measures to address these issues: The Infrastructure Cost Review and subsequent Implementation Plan set out the measures being taken by Government to realise £2 billion-£3 billion per annum from reducing the costs of delivery of the UK's economic infrastructure projects and programmes – some 40% of which are delivered through the public sector.

Whilst the markets for economic infrastructure and wider public sector construction are different they are served largely by the same industry. To ensure that the Government's activities in these areas are effectively co-ordinated and aligned, the Chief Construction Adviser will chair a Government Construction Board ("the Board") to be established at official level, as an evolution of the existing Construction Clients Board. It will act as the single Joint Programme Management Board announced at Budget 2011, with responsibility for overseeing the consistent implementation of the Infrastructure Cost Implementation Plan and this Government Construction Strategy, together with relevant and necessary actions coming out of the Government's response to the James Review on education, the McNulty review on rail and future reports relating to construction.

Membership of the Government Construction Board will include representation from the wider public sector and from the regulators responsible for oversight of much infrastructure procurement. The Board will have sight of all direct construction expenditure by Government and, in addition, expenditure on infrastructure commissioned outside Government. The Board will report to the Minister for the Cabinet Office, Francis Maude.

The strategy has been prepared by the Efficiency and Reform Group of the Cabinet Office and the Construction Sector Unit of BIS, working closely with Infrastructure UK ("IUK").

# 1 Introduction

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## Context

**1.1** Construction output contributes some 7% of GDP - more if the whole-life contribution through planning, design, construction, maintenance, decommissioning and reuse, is taken into account. The sector is worth about £110 billion per annum<sup>1</sup>. This comprises three main sub-sectors:

- commercial and social, £49 billion (£20bn public, £29bn private);
- residential, £42 billion (£14bn public, £28bn private);
- infrastructure, £18 billion (£7bn public, £11bn private).

Refurbishing and improving the existing built stock accounts for about half of this total.

**1.2** There are, however, significant differences between sectors:

- for commercial and social infrastructure, projects are typically traditional construction with a mix of new build and refurbishment, with most of the public sector spend (on schools, for example) being funded through central Government Departments although delivered locally;
- in residential, the public sector has a relatively small new build programme (£4bn) compared to repairs and maintenance (£10bn) – the residential construction markets have different dynamics to other construction markets and most of the public sector delivery is through local authorities;
- infrastructure is typified by civil engineering works, long overall project durations and major programmes of renewal/maintenance – with 60% commissioned by the private sector and a large proportion of the public sector spending being through central Government Departments.

**1.3** The industry is highly fragmented, with over 300,000 businesses (of which 99.7% are SMEs) and over 2 million workers<sup>2</sup>.

## Need for Change

**1.4** Recent studies highlight a number of key barriers to growth and the efficient operation of the construction market. There is broad consensus, spread both across the industry and its customers, that construction under-performs in terms of its capacity to deliver value and that there has been a lack of investment in construction efficiency and growth opportunities.

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<sup>1</sup> *Construction Statistics Annual 2010, Office for National Statistics, 2010*

<sup>2</sup> *BIS website construction home page*

# 1 Introduction

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**1.5** In addition poor and inconsistent procurement practices, particularly in the public sector (which accounts for nearly 40% of the industry's workload), are leading to waste and inefficiency. This is compounded by low levels of standardisation, and fragmentation of the public sector client base.

**1.6** Following the publication of the Latham and Egan Reports, there has emerged a consensus that clients and their suppliers need to work together on a shared improvement plan, and that this means working with fewer suppliers in a more settled supply chain. This has generally been achieved by the creation of frameworks, tendered in accordance with the requirements of public procurement law - which then stay in place for a fixed period (of up to 4 years).

**1.7** The principles behind this remain valid, but there is a tension between the benefits of working with fewer suppliers in long-term relationships, the desire to maintain a market that is accessible to new entrants (particularly SMEs) and the risk of locking out competition and innovation. There is also a risk that the disbenefits of frameworks will be borne, without taking full advantage of the economies of scale and opportunities for continuous improvement.

## **Broad Benefits**

**1.8** IUK's Infrastructure Cost review focused on the £18bn of infrastructure spending, identifying savings of at least 15%. Similar savings should be achieved across all construction sectors.

**1.9** For the construction industry, the most compelling benefits arising from this strategy lie in the immediate prospects for improved growth and in increased competitiveness: in eliminating waste and inefficiency and stimulating higher levels of innovation that will make construction more affordable for customers at home and create new opportunities abroad.

## **Procurement Reform**

**1.10** The principal barrier to reduced cost and increased growth is the lack of integration in the industry, compounded by a lack of standardisation and repetition in the product (e.g. fragmented and unpredictable demand), and by relative protection from overseas competition. In parallel, a procurement process has been shaped that has reinforced those barriers. Addressing them calls both for reform of the procurement process and for greater efficiency in the operation of that process.

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**1.11** The Construction Strategy concentrates on a number of steps in this process which repeated studies<sup>3</sup> have shown to be points of weakness, leading to waste, poor value or lost opportunity.

**1.12** The strategy will improve public sector construction and contribute to both growth and efficiency savings by:

- improving visibility and certainty of the forward construction programme, by means of complete, centrally accessible data about the Government construction programme and the suppliers engaged to deliver it;
- setting clear criteria for the way a built asset delivers value in service, and communicating requirements (or standards) to prospective suppliers in a clear and consistent way; establishing by benchmarking a challenging market price for procurement of the asset, so that cost becomes a major driver in project design and delivery;
- ensuring that there is appropriate early challenge (independent from those directly accountable for a programme or project) around: governance and appropriate client skills, with clear accountability for commissioning and delivery;
  - the use of benchmarking and feedback from previous projects;
  - the application of common standards;
  - project controls and cost reduction incentives;
- aligning design and construction with operational asset management, with greater use of outcome based specifications against clear performance criteria;
- eliminating waste by streamlining commissioning and procurement processes and introducing further standardisation where appropriate; and
- exploring alternative procurement models which introduce competitive tension by means other than lump sum tendering, which encourage innovation and supply chain integration, and which create an alignment of interest between those who design/construct a building and those who subsequently occupy and operate it.

**1.13** Procurement is best looked at as part of a broader asset life cycle, rather than as a stand-alone process. For construction, this crucially includes considerations of what is to be procured, whether design and construction are to be procured separately, and the relationships to be created between the parties post-procurement, including the disposition of risk. “Procurement” is therefore part of a system that commences at the inception stage of a project, and is concluded only when the facility has been brought into use with proper arrangements made for asset management.

**1.14** The full list of strategy objectives is contained in Section 2, with the summary Action Plan contained in Annex A. The summary Action Plan is work in progress, and is subject to discussion and endorsement/amendment by the newly established Government Construction Board, and to consultation with industry.

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<sup>3</sup> *The Plan for Growth, Never Waste a Good Crisis, the IUK Cost Review, the James Review*

# 2 Strategy Objectives

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## Co-ordination and leadership

**2.1** The strategy represents a challenging change programme which will need significant co-ordination and engagement with Government and industry stakeholders. It should not be underestimated how significant the challenges are; and the strategy can only be implemented with active involvement and leadership from Government and industry alike.

**2.2** Whilst some improvements in the procurement and delivery of construction projects have been made over time, there is a need now to accelerate the pace of change to deliver a competitive industry for the future. It is the intent of Government to use its scale in the procurement of construction to lead the process of change. The construction industry must also provide an equal measure of leadership, however; and focused effort will be required from all parts of the supply chain in a new relationship between Government and the industry.

**2.3** Ministers have agreed to combine the programmes of work in relation to the implementation plans for this construction strategy, IUK's work on infrastructure, and wider Cabinet Office work on the reform of Government procurement in relation to construction. The existing Construction Client Board representing Government clients, chaired by the Chief Construction Adviser, will be reconstituted with additional representative members to become the Government Construction Board "the Board"). It will have the mandate to provide the leadership needed for the combined programme of work.

**2.4** The Board will be the custodian of the Government Construction Standards ("the Standards"), the centralised summary of the standards and policies which will be mandated for adoption across central Government, and in the expectation they will be adopted also by all Government funded clients. The Standards will be a live document and will be regularly refreshed.

**2.5** The criteria for the Better Public Building Award will be redesigned in line with the strategy and relaunched, with the vital importance of design quality to the delivery of value continuing to be acknowledged.

## Forward programme

**2.6** The Cabinet Office will publish quarterly from autumn 2011 a rolling two year forward programme of infrastructure and construction projects where public funding has been agreed. Whilst the Government's forward programme will be subject to change if priorities change, just as in the private sector, visibility of the forward pipeline will enable the industry to make its own judgments and plans for investment in skills, products and services aimed at that programme.

## 2 Strategy Objectives

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**2.7** The Cabinet Office will, working with departments, reinvigorate the Public Sector Construction Database (“the PSCD”) to provide the basis of this information.

**2.8** Once complete, the PSCD will also provide a basis for client led improvements – see Client Relationship Management.

### **Progress to May 2011**

The use of the PSCD for central Government departments was mandated in the Plan for Growth, published as part of the Budget 2011. A short programme to review its functionality is now under way to identify refinements and improvements.

### **Governance and client skills**

**2.9** The range of skills shown in both the public and private sectors in the procurement and delivery of construction projects is comparable. Feedback from the supply side is that there are departments who show a high level of skill, but that this is not the case for all Government clients. Given the scale of the public sector construction programme, it is important to ensure that Government commissioning teams are consistently equipped with the necessary high level of skills appropriate to specific projects and programmes.

**2.10** Working with the Board members, the Cabinet Office will ensure the establishment of appropriate governance structures for all construction projects consistent with the requirements of the Integrated Assurance and Assessment Process of the new Major Projects Authority, giving transparency to management accountability.<sup>4</sup>

**2.11** To this end, departments will make available on their websites details of project / programme governance structures for funded construction projects and the individuals accountable for them as Senior Responsible Owners and Project Sponsors. The Cabinet Office will adapt the PSCD to track departmental construction projects.

**2.12** In collaboration with the Government Construction Board, the Cabinet Office will also define the necessary skills for given roles in the governance structure, with a view to rolling them out across Government and initiating the tracking of capability.

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<sup>4</sup> Details can be found at <http://www.cabinetoffice.gov.uk/content/major-projects-authority>

# 2 Strategy Objectives

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**2.13** Core client skills – particularly in the case of Senior Responsible Owners and Project Sponsors, who may not come from a construction background – should encompass the following:

- knowing how a project creates value in service delivery;
- being able to communicate the conditions for value to the supply side by way of clear standards which are, to the greatest possible degree, performance-based;
- maintaining decisiveness, so that the supply side has the information it needs to maintain progress and deliver value;
- knowing how to take the project to the market place, and the benchmark price for which it should be obtainable; and
- sponsoring the project from inception to completion.

## Progress to May 2011

The Cabinet Office, with Government construction clients, has undertaken a survey of existing client capability in Government to confirm the extent to which further skills development is needed.

## Challenge

**2.14** For major projects, oversight and challenge will be provided by HM Treasury and by the Cabinet Office through the newly established Major Projects Authority and the introduction of the Integrated Assurance and Assessment and Starting Gate processes<sup>5</sup>.

**2.15** There is also a need for projects below the Major Projects Authority threshold to receive independent challenge within commissioning departments. Most Departments now have Programme or Investment Boards, but the degree of intervention and, conversely, the degree of freedom allowed to in-house project teams or delivery agencies to manage the work remains variable.

**2.16** These arrangements will be reviewed to establish whether they strike the right balance between challenge, empowerment and individual accountability; and to consider the relationship with the roles now being undertaken by the new Departmental Boards.

**2.17** With the support of the Cabinet Office, Departments will therefore develop and publish their independent challenge process for construction programmes and projects.

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<sup>5</sup> Details can be found at <http://www.cabinetoffice.gov.uk/content/major-projects-authority>

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**2.18** Together with Government Construction Board members, the Cabinet Office will establish for construction projects the capability required to improve the effectiveness of central challenge functions in support of projects, together with a framework within which knowledge and skills can be effectively assessed and shared across Government.

**2.19** This work will also address development with IUK and the Major Projects Authority of check lists to be incorporated within the newly established Starting Gate process.

### **Value for money, standards and cost benchmarking**

**2.20** Cost benchmarking will be established to provide a consistency of value for money across each programme and a baseline for new cost/value-led approaches to procurement. This will ensure that cost becomes a lead driver in the delivery of projects, without sacrifice of whole life value; and that clients should be aware, when they go into the market for construction work, what its price should be.

**2.21** Where such benchmarking has been done in detail (as in the schools programme), it has demonstrated that there is a variation in cost that is not justified by project specifics, and consequently that there is an almost immediate and substantial saving simply by ensuring that all projects are built at a cost that falls at the lower end of the historical range.

**2.22** Cost benchmarking should extend beyond the departmental programme, into relevant comparators from other public and private sector programmes – such as the comparison of single living military accommodation with student residences.

**2.23** Nor should cost benchmarking be restricted to construction work. It should cover all project on-costs (consultants' fees, departmental administrative costs, etc) so that the efficiency of total project delivery cost is also plotted.

**2.24** Clearly, where cost is a lead driver, there is a risk that the quest for lowest initial capital cost will take precedence over judgements based on value – which is fundamentally about the outcome of a project over its whole life. A vital context of cost benchmarking is therefore a clear understanding of how a project will deliver value in the provision of public services, so that the cost benchmark is not set artificially low by the inclusion of projects that fail to deliver value.

**2.25** To be assured of this, departments will, in addition to conforming to the general definitions of value for money set by the Treasury, identify criteria for value for money relevant to a particular programme or project.

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**2.26** Finally, the criteria for value need to be converted into standards and specifications that can be passed to suppliers as part of the brief that they are required to meet. There should be consistency across Government in how these standards are set, and wherever possible they should be performance (or outcome) based, rather than prescriptive, so that opportunities for innovation by the supply side are maximised.

**2.27** With the support of the Cabinet Office, Government Construction Board members will therefore:

- confirm that a preset measure of value for money at programme level for operational need exists, and is applied consistently in appraising suppliers' propositions;
- agree cross-Government principles for setting functional requirements based on whole life value for money and centered on performance/ output, which can then be rolled out across departments;
- identify, establish and report on pilot projects for the extended use of cost benchmarking in setting cost targets, and facilitate a more consistent approach to the application and sharing of cost benchmark data across Government;
- introduce ways to leverage existing cost data and compare cost benchmarks across Government (and with private clients) to reduce the non productive cost component; and
- identify opportunities for cost reduction through appropriate standardisation.

### **Progress to May 2011**

The Cabinet Office, with Government construction clients, has undertaken a cross-government survey of existing practices to confirm the application of value for money criteria, and the extent to which cost data is being used to target and achieve cost reduction. Current work is focussed on the use of cross-Government comparisons of benchmark data to influence cost reduction and to identify opportunities to trial cost-targeted procurement.

### **Efficiency and elimination of waste**

**2.28** Significant action as set out in the box below has already been taken to reduce efficiency and eliminate waste in construction procurement. The Government will now:

- move towards using only standard forms of contract with minimal amendment for all new central government procurement activity;
- explore with the industry the use of integrated project insurance to support new procurement models;

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- embed the adoption of a standardised prequalification form (PAS 91) so that it is used in all central Government construction procurement;
- identify and implement pilots to take forward the “leaning” of the procurement process for construction projects;
- speed cash flow through the supply chain through fair payment provisions.

### **Progress to May 2011**

Prequalification - PAS 91: the use of this standardised wording for PQQs has been mandated within Government. Work to ensure that the approach is embedded within the procurement community, and spreads through the wider public sector, is ongoing.

Fair Payment and Project Bank Accounts: Fair Payment down the supply chain has been made a contractual requirement on all new procurement by central Government. In addition £1.8bn pounds worth of projects have been awarded to date using Project Bank Accounts, and these will be monitored as a model for the future.

### **Building Information Modelling**

**2.29** At the industry’s leading edge, there are companies which have the capability of working in a fully collaborative 3D environment, so that all of those involved in a project are working on a shared platform with reduced transaction costs and less opportunity for error; but construction has generally lagged behind other industries in the adoption of the full potential offered by digital technology.

**2.30** A lack of compatible systems, standards and protocols, and the differing requirements of clients and lead designers, have inhibited widespread adoption of a technology which has the capacity to ensure that all team members are working from the same data, and that:

- the implications of alternative design proposals can be evaluated with comparative ease;
- projects are modeled in three dimensions (eliminating coordination errors and subsequent expensive change);
- design data can be fed direct to machine tools, creating a link between designers and manufacturers and eliminating unnecessary intermediaries;
- there is a proper basis for asset management subsequent to construction.

**2.31** The Cabinet Office will co-ordinate Government’s drive to the development of standards enabling all members of the supply chain to work collaboratively through Building Information

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Modelling (BIM). This will be a phased process working closely with industry groups, in order to allow time for industry to prepare for the development of new standards and for training.

**2.32** Government will require fully collaborative BIM level 2 (with all project and asset information, documentation and data being electronic) as a minimum by 2016. The staged plan will be published with mandated milestones showing measurable progress at the end of each year.

### **Progress to May 2011**

A ***Client BIM Mobilisation and Implementation Group*** to drive the adoption of BIM across government has been established and met for the first time in May 2011, and a staged implementation plan will be published in June.

### **Alignment of design/construction with operation and asset management**

**2.33** Post-handover defects are a regular feature of construction projects, leading to the cost of remediation (and frequently the higher cost of resolving disputes). Even when there are no latent defects, it is still rare to find that a built asset performs exactly in accordance with its design criteria (and particularly in terms of energy efficiency, for example).

**2.34** Integration of the design and construction of an asset with the operation phase should lead to improved asset performance. This has been demonstrated in projects which have integrated design and construction with whole-life operation. The same alignment can be created by requiring those who design and construct buildings to prove their operational performance for a period of say three to five years. Proposals for this will be developed with the Government Property Unit to ensure alignment with subsequent arrangements for facilities management.

### **Supplier Relationship Management**

**2.35** Because suppliers enter into separate contracts with individual Government departments, or with arm's length bodies funded by Government, suppliers have generally not regarded central Government itself in the same light as a single client with an equivalent aggregate value.

**2.36** Similarly, client fragmentation means that central Government does not have a clear cross-departmental view of:

- who its key suppliers are;

## 2 Strategy Objectives

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- how well they are implementing Government policy;
- how they are performing in aggregate.

**2.37** Government will reform its relationship with its major construction suppliers to:

- communicate clearly to its suppliers the Government's expectations and, through a Strategic Alignment Agreement, agree and implement the steps of a programme by which a supplier will bring its processes into compliance with the requirements of Government as client;
- require good practice in dealings between Government and its directly contracted suppliers to be cascaded down through the supply chain;
- establish a cross-Government view of each supplier.

### **Progress to May 2011**

Reform will build upon a mature key Supplier Relationship Management programme that currently exists. This includes:

- regular one-to-one engagement;
- establishment of strategic alignment agreements;
- ongoing supplier performance assessments;
- biannual strategic supplier conferences.

### **Competitiveness and reducing duplication (whole public sector)**

**2.38** Evidence and commentary from a spectrum of clients and contractors point to the highly effective use of some frameworks, but also to other frameworks which are less effective.

**2.39** Government will, in collaboration with the National Improvement and Efficiency Partnership, investigate the effective use of frameworks and other routes to market across the public sector, addressing what works and assessing the effectiveness of existing arrangements. The objective must be to ensure that frameworks do not create a barrier to entry to the market, particularly for SMEs and at the local level, without some assurance that longer term relationships and economies of scale will produce greater value for the taxpayer.

### **Progress to May 2011**

An initial survey of existing frameworks has identified the landscape, particularly in the wider public sector where their use is prevalent. Cabinet Office will now work with the National Improvement and Efficiency Partnership in investigating further the effectiveness of frameworks.

# 2 Strategy Objectives

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## New procurement models

**2.40** The construction strategy sets out the principles of an alternative approach towards procurement, designed to eliminate the wastefulness of teams completing and costing a series of alternative designs for a single project, only one of which will get built.

**2.41** This has been the subject of continuing dialogue with the industry, seeking a more collaborative, integrated model that nonetheless maintains competitive tension and the ability to demonstrate value for money. More specifically, two propositions have been put forward by industry teams, which offer opportunities for demonstration projects:

- one effectively pitches framework contractors against a challenging cost benchmark, with the understanding that if no member of the framework can beat the benchmark, then the project will go to tender without framework contractors being permitted to bid, providing opportunities for new entrants;
- the other offers a guaranteed maximum price underwritten by insurance, which also extends to protection against defects.

**2.42** Both propositions assume the full engagement of an integrated team – with designers, other professional consultants and constructors offering an integrated proposition, and with key trade contractors and manufacturers involved in developing the design (that is, early supply chain involvement).

**2.43** It is in achieving tight integration that the potential for significant cost savings lie - for example by removing contractual interfaces and the corresponding risk pricing associated with protecting individual rather than project interests; but both value for money and the reliability of delivery would also be improved by taking a different approach, specifically in using an arrangement that will:

- enable/encourage a genuinely integrated supply-side proposition (advice/ design with construction, and Tier 1 contractor with its supply chain);
- reflect the findings of all the workstreams indicated in this Strategy (particularly including the use of frameworks);
- maintain competitive tension, and make cost (derived from agreed principles of value for money) a key driver, rather than an outcome;
- incentivise cost and programme efficiency (for example, by pain/ gain sharing);
- enable/encourage appropriate standardisation;
- enable/encourage (but not prescribe) offsite fabrication of buildings, systems or components;
- permit the introduction of private finance.

**2.44** With the support of the Cabinet Office and industry partners, Government Construction Board members and a Steering Group, time-limited task groups to be established by the

## 2 Strategy Objectives

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Board, will further develop these propositions, trialling them on live projects with a view to rolling out successful practices across Government.

### **Client Relationship Management**

**2.45** Just as supplier relationship management is important, it is also necessary to ensure consistency of approach in the way Government collectively addresses its approach to the delivery of common opportunities such as waste-to-landfill, and the scope for aggregation of demand.

**2.46** Once complete, the PSCD, in addition to giving suppliers visibility of the pipeline, will also provide a basis for:

- planning procurement strategies appropriate for the full programme;
- investigating the scope for commoditisation and central purchasing across the programme;
- identifying key suppliers (which currently calls for an ad hoc exercise); and
- investigating the scope for reducing transaction costs and seeking consequent volume-related discounts by identifying the amount of work placed with individual suppliers.

**2.47** Together with the Board members, the Cabinet Office will therefore use visibility of the pipeline together with cost benchmark data to:

- identify opportunities for cost reduction through collaboration, commoditisation and standardisation, as appropriate;
- define cross-Government targets to increase the level of demand aggregation, volume related discounts and transaction cost efficiencies;
- facilitate cross-Government moves to realise the financial benefits of these opportunities.

#### **Progress to May 2011**

A programme of engagement has commenced to identify suitable candidates for pilot/trial and demonstration projects.

## 2 Strategy Objectives

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### **Implementation of existing and emerging Government policy in relation to sustainability and carbon**

**2.48** Specific actions will be developed in relation to Government's construction strategy for sustainability and carbon following the publication of Government's response to The IGT Report: Low Carbon Construction, to be published in June 2011.

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# Annex A: Summary Action Plan

Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
1.	<b>Co-ordination and leadership</b>	<p>1(i) To improve co-ordination of, and consistency between, approaches to construction procurement across Government</p> <p>1(ii) To engage with industry to secure participation in improvement initiatives</p>	<p>Establish the Government Construction Board and agree Terms of Reference. <b>(June 2011)</b></p> <p>Publish full governance structure for programme of reform, including Government/ Industry Steering Group and Task Groups. <b>(July 2011)</b></p> <p>Appointment of programme management resource. <b>(July 2011)</b></p>	<p>Quarterly meetings of Government Construction Board.</p> <p>Meetings of Steering Group and Task Groups as appropriate.</p>	<p>Quarterly meetings of Government Construction Board.</p> <p>Meetings of Steering Group and Task Groups as appropriate.</p>	<p>Overarching change programme established.</p> <p>Governance structure for the programme clear.</p>

# Annex A: Summary Action Plan

Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		1(iii) To direct and support a programme of reform.	<p>Work with industry to appoint appropriate industry resource to support programme management and working groups. <b>(from July 2011)</b></p> <p>Set baseline and establish benefits achieved 2010-11. <b>(Summer 2011)</b></p> <p>Publish strategy and summary Action Plan. <b>(May 2011)</b></p> <p>Government Construction Board to ratify Action Plan. <b>(July 2011)</b></p> <p>Refresh and re-mandate Government</p>	<p>Work with industry to appoint appropriate industry resource to support programme management and working groups. <b>(Ongoing)</b></p>		Progress of cost reduction against 10-20% target.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		1(iv) To stress cost effectiveness as a key driver, without loss of whole life value.	<p>Construction Standards (formerly “Common Minimum Standards”) <b>(September 2011)</b> - including “Achieving Excellence in Construction” standards where relevant <b>(From October 2011)</b>.</p>			Maintain high level of participation
			<p>Establish a programme of pilot projects in connection with the actions below. <b>(October 2011)</b></p>	Track levels of participation by industry. <b>(Ongoing)</b>		
			<p>Launch a redesigned Better Public Buildings Award. <b>(July 2011)</b></p>	Review and determine how whole life value will be measured <b>(April 2012)</b>		

# Annex A: Summary Action Plan

Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
			Event to disseminate detailed learning of good practice from winners/ short listed projects. <b>(February 2012)</b>	Repeat event. <b>(January 2013)</b>	Repeat event. <b>(January 2014)</b>	
2.	<b>Forward Programme and data</b>	2(i) To provide procuring Departments with visibility of the total pipeline to identify opportunities for collaboration and the need for market management ,	<p>The Cabinet Office to develop and implement guidance for maintaining and publishing forward work programmes across all central Government Departments. <b>(Summer 2011)</b></p> <p>The Cabinet Office to work with central Government Departments to populate an improved PSCD</p>	<p>Departments to maintain prioritised lists of forward public sector projects capable of aggregation into a Centralised Public Sector Construction Database ("PSCD"). <b>(Ongoing)</b></p> <p>Undertake validation to confirm robustness of data. <b>(Autumn 2012)</b></p>	<p>Undertake validation to confirm robustness of data. <b>(Autumn 2013)</b></p>	<p>Commitment of Departments to provide data.</p> <p>Population and internal publication of database on a quarterly basis.</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		<p>2(ii) To maximise across Government the benefits derived from historic cost data</p> <p>2(iii) To provide suppliers with visibility of the pipeline so they can equip themselves to respond or invest.</p>	<p>with key construction suppliers identified.</p> <p>Publish fully populated PSCD internally. <b>(Autumn 2011)</b></p> <p>First external publication of forward pipeline derived from PSCD. <b>(Autumn 2011)</b></p>	<p>Establish data requirements to improve effectiveness of central challenge functions in support of construction projects. <b>(April 2012)</b></p> <p>Survey suppliers and departments to confirm how pipeline information is being used in practice. <b>(Autumn 2012)</b></p>	<p>Repeat survey of suppliers. <b>(Autumn 2013)</b></p>	<p>Publication of forward pipeline on a quarterly basis.</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		2(iv) To ensure that decisions to postpone or cancel projects or programmes are timely and informed by a full analysis of impact.		Establish a process to measure full impact of project cancellation. <b>(April 2012)</b>	Roll out process (consistent with MPA). <b>(April 2013)</b>	Departments applying process and evidenced.
3.	<b>Governance and client skills</b>	3(i) To establish appropriate governance structures, consistent with the remit and edicts of the Major Projects Authority; and to give transparency to management accountability within Government.	Re-affirm and publish project/ programme governance structures for funded projects. <b>(September 2011)</b>	Tracked and checked by entry onto the PSCD. <b>(Ongoing)</b>  Adapt PSCD and track Departmental entries to confirm that Departments		Publish governance structures, and the accountable individuals, for all projects and programmes.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		3(ii) To equip commissioning teams with the necessary client skills appropriate to specific projects and programmes.	Define necessary skills for defined roles in governance structure with particular reference to the 20% target. <b>(January 2012)</b>	<p>have published. <b>(April 2012)</b></p> <p>Establish capability requirement to improve effectiveness of central challenge functions in support of construction projects <b>(April 2012)</b></p> <p>Establish common principles for assessing capability. <b>(April 2012)</b></p> <p>Roll out challenge</p>		Commissioning teams equipped with the appropriate skills, consistent with AEC and cost-targeted procurement (commercial challenge).

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
				<p>capability and track progress, through use of the Achieving Excellence in Construction embedding tool. <b>(From June 2012)</b></p> <p>Establish framework for sharing/ enhancing skills between areas of expertise (e.g. project roles in programme or governance structures). <b>(From June 2012)</b></p>		<p>Consistent approaches and core training content across Departments.</p> <p>Demonstrate positive progress towards the capability/ behaviour related targets.</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
4.	<b>Challenge</b>	4(i) To reinforce governance and to support the internal decision making process, consistent with the MPA 's Starting Gate process.	Work with IUK and the MPA to develop the check lists within the Starting Gate process (for the major projects portfolio) <b>(From April 2011)</b>	Adapt new challenge process and incorporate into Departmental approval processes for all construction programmes and projects below the MPA threshold. <b>(July 2012)</b>	Monitor and review the implementation of the challenge process. <b>(Ongoing from June 2013)</b>	Publish independent challenge process.
5.	<b>Value for money, standards and benchmarking</b>	5(i) To identify the criteria for value against which suppliers' propositions will be appraised.		Encourage the use of outcome based specifications and processes that will encourage innovation and remove unnecessary prescription. <b>(Ongoing from March 2012)</b>		Departmental measures of value for money are confirmed, there are consistent principles applied and criteria are communicated to the market.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
			<p>Agree principles of functional requirement setting (based on measures of value for money, and centred on performance/output) across Government. <b>(March 2012)</b></p>	<p>Confirm that preset Departmental measures of value for money exist at programme level for operational need, and are applied. <b>(April 2012)</b></p> <p>Roll out new principles for setting standards across Departments. <b>(From March 2012)</b></p>	<p>Departments to implement new models to promote whole life, outcome based specifications as a means to encouraging supply chain innovation. <b>(From March 2013)</b></p> <p>Assess and review implementation of the principles for setting standards. <b>(From March 2013)</b></p>	<p>Demonstration on Trial<sup>1</sup> projects.</p> <p>Supply chain innovations and influence on value through early involvement are evident and measurable.</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		5(ii) To set challenging cost targets in the context of clear criteria for value, informed by what has been achieved on other projects and supply chain analysis. To motivate suppliers and remove impediments to delivery. To seek and deliver product and process innovation at all levels of the supply chain.	<p>Establish quality of benchmarking data in Departments. <b>(June 2011)</b></p> <p>Agree principles of benchmarking standards <b>(January 2012)</b></p> <p>Communicate an expectation of the use of benchmarking for public sector construction. <b>(January 2012)</b></p> <p>Identify and establish pilots for the extended use of benchmarking in setting cost targets. <b>(October 2011)</b></p>			<p>Trial projects demonstrating the outcome of cost led procurements which provide practices that can be rolled out across central Government.</p> <p>Publication of expectations.</p>
				Report on the outcomes of the pilots for the extended use of benchmarking in setting cost targets. <b>(Ongoing)</b>		

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		5(iii) To confirm that non-product costs (fees, Departmental overheads etc) are proportionate from project to project, and contribute to improving whole life value.	Departments to bring benchmarking up to an agreed standard (using agreed common measures and formats where possible), and share across Government. <b>(From March 2012)</b>	Monitor and review implementation <b>(From March 2013)</b>	Cost effective by comparison with relevant private sector comparators.  Deliver the financial Value Indicator defined targets.	
	Establish, define targets and implement a methodology for indicating total project costs across Departments. <b>(From September 2011)</b>					
			Monitor and report on progress of reducing non product costs. <b>(Ongoing)</b>			
6.	<b>Efficiency and elimination of waste</b>	6(i) To eliminate waste and duplication that leads to unnecessary cost or delay in the procurement process.	Agree moves towards use of standard form(s) of contract, without unnecessary bespoke amendment. <b>(Summer 2011)</b>			Unamended contracts used by Departments in accordance with defined targets.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		6(ii) To reduce the barriers to entry represented by onerous, unduly complex or protracted procedures	<p>Consider the use of integrated project insurance to support objective 11(ii) and report. <b>(Winter 2011)</b></p> <p>Embed the use of standardised prequalification form (PAS 91). <b>Ongoing)</b></p> <p>Streamline procurement process on basis consistent with principles of the Cabinet Office proposals for "lean procurement" generally. <b>(January 2012)</b></p>	<p>Rollout the recommendations from the Cabinet Office workstream.</p>		<p>Project insurance tested, evaluated and potentially rolled out.</p> <p>PAS 91 used by Government clients and suppliers and down the supply chain.</p> <p>Lean procurement piloted.</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		6(iii) To speed cash flow through the supply chain to reduce the working capital burden and increase security of payment for lower tiers of the supply chain, particularly including SMEs	Identify and implement lean procurement pilot(s). <b>(From December 2011)</b>	Monitor progress of reducing time for procurement. <b>(Ongoing)</b>		Speed of procurement reduced to the target.
			Embed revised fair payment provisions, including sample checks through the supply chain. <b>(Ongoing)</b>			Fair Payment provisions secured contractually throughout all central Government projects, without exception.
			Define target for increased use of project bank accounts ("PBAs"). <b>(August 2011)</b>	Monitor use of PBAs on trial projects and capture lessons for future use. <b>(Ongoing)</b>	Monitor use of PBAs and capture lessons. <b>(Ongoing)</b>	Increased use of PBAs to defined targets.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		6(iv) To manage contingency allowances so they are realistic but do not create the expectation that they will be spent.	Agree standard approach towards risk/ contingency management, in conjunction with IUK. <b>(January 2012)</b>			Measurement shows appropriate level, management and use of contingency.
		6(v) To assess the performance of current procurement practices in delivering required outcomes.	Review current practice and explore procurement models which maximise value.  Consider alternatives to current procurement processes and interpretation/application of EU Directives. <b>(Autumn 2011)</b>	Commence implementation of recommendations through trial projects.	Reduce reliance within the public sector on the inappropriate use of short-term competition on the basis of initial capital cost as the primary means for driving efficiency.	Benchmarking demonstrates reduction contributing to the overall 10-20% reduction.  Trial project practices adopted.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
			Encourage greater risk based assessment of competition and procurement options with greater focus on innovation, cost/value and performance outcomes. <b>(To be agreed 2011)</b>	Consider incorporating specific guidance into Green Book on procurement options assessed on a risk basis. <b>(April 2012)</b>		
			<p><b>Government</b> to work with industry and the Procurement Lawyers Association to encourage a more pragmatic approach to compliance. Support the EU consultation on procurement Directive to ensure revisions are consistent with UK objectives to remove wastage and procurement legislation that stifles innovation.</p> <p><b>(Ongoing)</b></p>			
7.	<b>Building Information Modelling (“BIM”)</b>	7(i) To introduce a progressive programme of mandated use of fully collaborative Building Information Modelling for Government projects by 2016.	Creation of the implementation plan and team to deliver. <b>(July 2011)</b>	Begin phased roll out to all Government Projects. <b>(From Summer 2012)</b>		Completion of agreed pilots.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
				Define and mandate the expected standard (information set) for Government projects. <b>(April 2012)</b> Identify trial projects in multiple Departments to achieve delivery via 3D fully collaborative BIM. <b>(July 2012)</b>		Commencement of roll out achieved.  Complete built record of the project available for the purposes of asset management.
			Evaluate trial projects and recommend. <b>(Ongoing)</b>			
8.	<b>Alignment of design/ construction with operation and asset management</b>	8(i) To align interests between those who design and construct an asset and those who subsequently use it.		Trial introduction of a period (say 3 to 5 years) of post completion proving of the asset by the constructors. Note connection with BIM and its potential to connect design and construction		Projects designed and delivered to required standards; and to allow the asset to operate to the required standard for its whole life.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
				information to asset management. <b>(Summer 2012)</b>		
9.	<b>Supplier Relationship Management</b>	9(i) To measure supplier performance across all programmes to support objectives 12(i) & (ii) and 5(iii).	Programme of supplier conferences and dialogue with individual suppliers. <b>(Ongoing)</b>			Key suppliers' performance routinely measured and communicated across Government programmes (client and supply side) through a common process. Delivery against agreed targets.
		9(ii) To develop and implement a shared programme for efficiency and reform.	Routinely assess and communicate key suppliers' performance across Government programmes through a Common Assessment Framework. <b>(Ongoing)</b>			
		9(iii) To require suppliers to align with a shared view of excellence and to cascade	Redefine a shared view of excellence. <b>(January 2012)</b>			Delivery against agreed targets.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		good practice down through the supply chain.				Delivery against agreed targets.
			Formalise the process of compliance and improvement through Supplier Alignment Agreements. <b>(Ongoing from Dec 11)</b>			
<b>10.</b>	<b>Competitiveness and reducing duplication (whole public sector)</b>	10(i) To assess the effectiveness of frameworks, in collaboration with Departments and the National Improvement and Efficiency Partnership for Construction.	Investigate effectiveness of use of frameworks - in terms of criteria for selection and value to the taxpayer. <b>(Autumn 2011)</b>  Identify the best use of routes to market. <b>(Initial view January 2012)</b>	Study findings and recommendations made.  Commence implementation of recommendations.	Delivery of a platform that ensures Government and the wider public sector have visibility of good quality procurement channels to market.	Investigation complete and recommendations made by a time to be agreed.  Spend focused on appropriate routes to market by client capability. Portion of spend target as set through quality frameworks.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
11.	<b>New Procurement Models</b>	<p>11(i) To investigate alternative forms of procurement and contractual arrangement that offer better value and affordability.</p> <p>11(ii) Consistent with the initiatives above, to review approaches to incentive and risk apportionment.</p>	<p>Develop new model competition and procurement processes in collaboration with Departments and their agencies to encourage innovation through integration and earlier supply chain involvement. <b>(January 2012)</b></p>	<p>Commence implementation of recommendations through trial projects. <b>(April 2012)</b></p>	<p>Evaluation of trial projects <b>(from Mar 13)</b></p>	<p>Truly integrated team demonstrated - ie designers and constructors (with full supply chain reporting to client on a collective basis.</p> <p>All parties share common agreement in terms of key principles.</p> <p>Simplified contractual arrangements and risk pricing brought together. Analysis and report of trial pilot project complete - new way of procurement (under research</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
						provision of EU rules in consultation with industry). Evidence of team problem solving.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		11(iii) To investigate the variety of options for using private finance and appropriate risk transfer to the private sector in the delivery of capital projects.				Benchmarking demonstrates reduction contributing to the overall 10-20% reduction. Trial project practices adopted.
			Infrastructure UK to lead, working closely with the Cabinet Office. <b>(Ongoing)</b>			
12	<b>Client Relationship Management</b>	12(i) To develop a range of overarching procurement strategies appropriate to the whole programme.	Analysis of PSCD Departmental input to identify the range of opportunities, and identify trial projects. <b>(January 2012)</b>	Deliver and evaluate trial projects. <b>(From June 2012)</b>		Trial projects demonstrate practicality and benefits of aggregation.  Potential roll-out of piloted approaches.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		<p>12(ii) To explore opportunities for centralised procurement of common components.</p> <p>12(iii) To investigate the scope for reducing transaction costs and seeking economies of scale and volume-related discounts.</p>	<p>Confirm existing and potential key suppliers to central Government. <b>(Autumn 2011)</b></p>	<p>With Departments, identify opportunities to centralise purchasing and set targets. <b>(April 2012)</b></p> <p>Deliver and evaluate trial projects. <b>(From June 2012)</b></p> <p>With Departments and key suppliers, identify opportunities to reduce transaction costs – for example by greater use of standardised processes. <b>(April 2012)</b></p>		<p>Greater use of centralised procurement, and resulting cost reductions.</p> <p>Simplified/centralised processes leading to cost savings.</p>

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		12(iv) To investigate the scope for increased product standardisation to support objectives 12(ii) & (iii) within and between programmes.	Investigate scope for further standardisation of buildings, systems or components across Government programmes. <b>(From June 2011)</b>	Deliver and evaluate trial projects. <b>(From June 2012)</b>  Implement commodity procurement of a number of opportunities. <b>(Summer 2012)</b>		Opportunities defined, implemented as appropriate and realised.
13	<b>Implementation of existing and emerging Government policy in relation to sustainability and carbon</b>	13(i) To deliver future carbon reductions in the Government estate through the procurement of new construction - for example by developing approaches to appraising construction projects on a whole life carbon basis including embodied carbon, and working with Departments and industry to deliver existing and	To be advised following publication of the Government response to the BIS Innovation and Growth Team Report on Low Carbon Construction, and the subsequent agreement of an action plan.	To be advised.	To be advised.	Reduced carbon emissions, water consumption and waste to landfill in accordance with agreed targets.

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Ref	Theme	Objective	Specific Actions and Timescales			Measures
			Mar-2011	Mar-2012	Mar-2013	
		emerging <i>Strategy for Sustainable Construction</i> targets.				

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<sup>i</sup> **Trial Projects are to test propositions set out in this strategy, such as:** lean procurement processes generally; use of whole life, outcome based specifications that remove unnecessary prescription and encourage supply chain innovation; applying a cost-targeted, integrated approach to procurement; aggregating demand across Government, generating economies of scale – for example through the centralised procurement of common components, as appropriate; integrated project insurance; the phased introduction of Building Information Modelling; and post-handover operation of built assets – all with a view to testing practice which can, if successful, be rolled out across Government.