



Government Construction newsletter – February 2012

This is the first of our quarterly newsletters to our stakeholder community and wider audience, intended to provide status updates and signposts to more detailed information on both construction and infrastructure. We want this to generate two-way conversation: we actively encourage dialogue and engagement and so would be very pleased to receive comments, queries and feedback to:

GovernmentConstructionTeam@cabinet-office.gsi.gov.uk
or InfrastructureCost@hmtreasury.gsi.gov.uk.

Following the launch of the [Government Construction Strategy](#), [Cost Review on Infrastructure](#) and [National Infrastructure Plan](#), industry and government departments have engaged energetically to implement the various work-strands. The unifying purpose in all of these is to drive better value from public sector construction and infrastructure more broadly, to unlock the potential for driving growth (particularly in SMEs) and reduce costs by 15-20% by the end of the Parliament.

Within the Cabinet Office, Government's Chief Construction Adviser, Paul Morrell, has overseen the establishment of [six Task Groups](#) to drive different elements of the agenda. Between them they will change business processes to squeeze out waste and release savings of the magnitude needed – not putting pressure on industry's margins, salami slicing nor "suicide bidding" which results in squeezing the supply chain for small percentage savings, but a whole new way of doing business.

Benchmark data published

Government has today published, for the first time, departmental construction cost benchmarks and cost reduction trajectories. The information shows how much it cost to build schools, roads and hospitals in 2009/10 and by how much we expect it to fall by 2014/15. Publishing this data enables departments to see how much they should be spending on these projects, and it will allow construction companies to offer the most competitive prices – ie to "beat the benchmark". This, along with other initiatives such as publication of the pipeline of forthcoming construction projects, is part of our open, mature relationship with industry which will not only save taxpayers' money but also support this vital industry as it develops and grows.

The benchmarks, along with details of the Cost Reduction Validation Method and benchmarking principles and expectations of how the data will be used, are available at www.cabinetoffice.gov.uk/resource-library/construction-cost-benchmarks

New procurement models to be trialled

Publication of the benchmark data is a significant milestone in the work of the Joint Data and Benchmarking Task Group chaired by Mike Coleman from Partnerships for Schools, which also supports the Infrastructure Cost Review implementation plan. However, it also paves the way for real-world application of three new models of procurement developed by the Procurement Lean Client Task Group (chaired by Nick Pollard). The [interim report](#) of this Group (full report and summary available from the Cabinet Office Construction Task Groups web page) sets out in detail the models (Cost-Led Procurement, Integrated Project Insurance and Two Stage Open Book). [Trial projects](#) to test out these three approaches (as well as other elements of the Construction Strategy) have been identified and will be monitored closely. These procurement trials are only one part of a wider campaign to investigate alternative commercial models and to streamline procurement more generally so that it better supports industry.

The Procurement Task Group's interim report also defines the key competencies of an "intelligent client" and sets out how these should be embedded in the government construction procurement community through the trial projects; articulates the characteristics of a successful framework agreement; and sets out a proposed way forward on collaborative procurement of commodity goods and services in construction. The report builds on the Task Group's early success in ensuring that governance structures for construction projects are appropriate and transparent.

Moving forward, the opportunity to increasingly integrate the work of these two groups with that of the Building Information Modelling (BIM) Task Group (see below) is seen as the key to achieving the significant cost reductions targeted.

Progress in implementing Government Construction Strategy

In addition to the publication of benchmarking data and new models of procurement, highlights from other Task Groups include the following:

- Tim Eaton's **Standards and Lean Supply Chain Task Group** has secured support for Project Bank Accounts, with commitments to deliver £4bn worth of construction projects using PBAs over the next three years. Further information on [PBAs](#) including details of how it benefits SMEs and supports closer working within the supply chain, is available from the Cabinet Office Government construction newsletters web page. The Task Group expects to conclude its work in March on "the Value Proposition" underlying a programme management approach to delivering construction, together with the client capability required to make it work.
- The **Building Information Modelling (BIM) Implementation Task Group**, chaired by Mark Bew, has made excellent progress in departmental on-boarding, work package deployment and working group activity. A comprehensive set of working groups are actively engaging with industry in all aspects of implementation; key areas include standards documentation, legal issues, integration of the plans of work and the development of an effective training and awareness programme. Formation of regionally comprehensive BIM hubs is in train. Through our early adopter programme, the Ministry of Justice has made significant progress. An MoJ BIM implementation plan has been

developed; this will inform four pilot projects, the first of which is due to start on site on June 2012. In February various communication platforms will go live, including a microsite and twitter feed.

- Deborah Rowland's Task Group is pressing forward establishing "**Soft Landings**" as a key element of the construction process, maintaining the 'golden thread' of the building purpose through to delivery and operation. The Group has benefitted from input from over 40 industry representatives and has secured a number of trial projects.
- The **Performance Management Group**, chaired by Bill Yardley, has made good progress in defining a shared view of excellence in construction practice; the next step will be to socialise this good practice to the industry. The Task Group will also develop a consistent approach to the assessment and communication of performance of key suppliers to government; and an approach to measuring the performance of departments as clients. This Group has a remit to take forward the recommendations of all the Task Groups, and to work with strategic suppliers to embed the changes throughout the supply chain.

Drawing the work of all the Task Groups together, the Government Construction Board meets quarterly to take stock of progress and plan the way ahead. Its next meeting is in mid-March.

Effective liaison with industry is crucial and part of this is the programme of conferences of government's top construction suppliers and client departments. The January conference focussed on collaboration within the supply chain; [slides](#) are available from the Cabinet Office Government construction newsletters web page.

PFI Review – Last chance to comment is today

The Government intends to reform the Private Finance Initiative and has invited all interested parties to respond to a call for evidence on new approaches to using the private sector in the delivery of public assets and services. Information on the call for evidence is available at:

www.hm-treasury.gov.uk/iuk_pfi_reform_call_for_evidence.htm.

The call for evidence closes on **Friday 10 February**.

National Infrastructure Plan 2011

The Government has published an updated National Infrastructure Plan. This contains major commitments to improve the UK's transport and broadband networks as well as steps to attract major new private sector investment setting out:

- clear plan for the UK's infrastructure
- new strategy for coordinating public and private investment
- new investment in critical infrastructure projects
- new focus on delivery.

The Prime Minister has asked the Chief Secretary to the Treasury to chair a new Cabinet Committee to drive forward the Government's infrastructure programme. The full document can be accessed at:

www.hm-treasury.gov.uk/national_infrastructure_plan2011.htm

Construction Sector Transparency (CoST) Initiative

The past quarter has been an exciting time for CoST, globally and here in the UK, having been endorsed by the G20 at the November summit and being implemented in nine countries already. The scheme involves clients publishing simple one-page report-cards containing basic information about projects and their performance – providing transparency over expenditure. In the UK, following a recent Infrastructure Data Group meeting, the Highways Agency has been forging ahead with creating report-cards for three highways schemes. For further information see:

www.constructiontransparency.org/AboutCoST/Pilotcountries/UnitedKingdom2/

Data Structures

To make best use of our commercial information, government is seeking to share data better within its various elements. To do so, a common taxonomy is necessary; whilst there is a very established one for buildings (BCIS), there is no universally adopted cost breakdown structure used for infrastructure. BCIS are currently consulting on such a structure and government is actively participating through the Data and Benchmarking Task Group. To contribute your thoughts on this see:

www.bcis.co.uk/sfcecaconsult

Standards

The Industry Standards Group of the Cost Review, chaired by Terry Hill, held its inaugural meeting in January, following the announcement of the establishment of the Group in the Autumn Statement. The group, which has membership drawn from industry and academia, is focusing on removing duplication and redundancy of technical standards in the transport sector to improve cost effective delivery of infrastructure projects. The Group will report its findings to Government in Spring 2012.

Forward look

The next few weeks and months will see further outputs from the various Task Groups as the Government Construction Strategy is further embedded. In addition:

- Late March will see the Budget announcement. Alongside other Budget announcements we will publish the next iteration of the Government Construction and Infrastructure Pipeline. Industry response to the November pipeline (available at www.hm-treasury.gov.uk/infrastructure_pipeline_data.htm) was very positive, but we are still open to feedback on the usefulness of the pipeline information and how it could be improved. A further iteration of the benchmark data will also be published at Budget.
- Paul Morrell will convene another conference of key suppliers in May, looking at procurement issues.
- UK Construction summit – the major industry conference – is planned for 2 July. We will publicise this further in due course.

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