



MINISTRY OF DEFENCE

**DE NEXT GENERATION ESTATE
CONTRACTS (NGEC) INDUSTRY
FOCUS GROUPS: FURTHER
EMERGING THEMES
(SUSTAINABILITY & ENERGY)**

Edition 2: 2 August 2010



DEFENCE ESTATES
Delivering Estate Solutions to Defence Needs

Background

On 4-5 May 2010 the NGEC team hosted representatives from more than 60 companies to discuss the future commercial arrangements for the Defence estate across 11 areas of contract development. The aim was to harness industry expertise and best practice, to inform development of the future contracts. A set of emerging themes was published afterwards on the MOD website.

One of those groups, focussing on sustainability and energy, met for a second time on 18 May, to build on the initial set of emerging themes. The aim was to identify a process across all areas of Sustainable Development to ensure that all the future contracts have certain minimum requirements embedded into them, and that DE, the occupiers, and the contractor can develop and produce targets that evolve through the duration of the contracts.

This document is an addition to the initial emerging themes. It sets out themes which emerged from the subsequent discussions, including the proposed criteria for measuring the ongoing sustainability performance of the contracts (see Annex A), and a draft matrix for evaluating proposed maintenance and facilities management work (see Annex B).

These themes are intended to inform and guide – but not to dictate – the development of the new contracts. There is no guarantee that any of the detail in these themes and proposals will be reflected in the future arrangements.

Further emerging themes

MOD sustainability aims – the importance of ensuring that contractors are working towards MOD requirements, with appropriate targets, performance incentives, and reporting mechanisms in place

Shared benefits – the need to establish shared sustainable development benefits between Defence Estates and its prime contractors, as an incentive to propose new projects, and to perform well in those projects; in particular the use of these shared benefits in energy management, where carbon reductions can be closely linked to financial savings; the danger that without this mechanism in place, carbon and other sustainability targets would be at risk

Staff behaviour – the importance of education within MOD and among its suppliers to influence staff behaviour towards more efficient use of resources, as another way of helping the Defence estate to meet its key sustainable development targets

Measuring existing systems – the need for the first year of each contract period to be used for measuring the performance of existing estate energy systems, before any informed proposals can be put in place to deliver efficiency improvements

Performance measurement (Annex A) – which key criteria should be included in the contracts to measure performance against each sustainable development theme; the potential to use a “measure, report and improve” structure to address the themes of Energy, Waste and Water, and to use key MOD requirements and targets established in line with Sustainable Development in Government (SDiG) targets for measuring

performance in Sustainable Procurement, Biodiversity, Heritage, Climate Change Adaptation and Sustainable Communities

Prioritisation matrix (Annex B) – the need to embed sustainable development considerations into the key criteria for assessing individual business cases for estate work, and the use of “prioritisation matrix” to ensure that any work delivers value for money whilst also achieving financial and sustainability objectives (see matrix below)

(The full set of emerging themes from the 4/5 May Industry Focus Groups is available at:

<http://www.mod.uk/DefenceInternet/MicroSite/DE/OurPublications/Commercial/NextGenerationEstateContractsFocusGroupsEmergingThemes.htm>)

PROPOSAL: performance measurement for Sustainable Development

The 18 May Industry Focus Group included discussion on key criteria for measuring contract performance against MOD Sustainable Development aims. Leading on from the discussion, Defence Estates has subsequently drawn up the following two frameworks, further developing criteria against each Sustainable Development theme. While the Group discussed applying a “measure, report and improve” approach to some themes (energy and carbon, waste and water), it is suggested that direct performance against MOD and Government standards would be more appropriate for the other themes (biodiversity, heritage, climate change adaptation, sustainable communities, and sustainable procurement).

It was proposed that these criteria could be applied to both new-build and major refurbishment projects, and to facilities management and maintenance activities.

Please note: there is no guarantee that any of the detail in this table will be reflected in the future arrangements.

For energy and carbon, waste, and water...

SD theme	Measure	Report	Improve	Notes
Energy and carbon	<ul style="list-style-type: none"> Carbon from MOD-owned or -controlled sources (boilers, furnaces, vehicles, etc) Carbon from the consumption of energy purchased from outside the MOD Carbon from employee business travel 	<ul style="list-style-type: none"> Report against benchmarks Use the MOD energy management information system (EMIS) 	<ul style="list-style-type: none"> The target to be in line with the forthcoming Carbon Trust recommendations (expected to be a continuous improvement target of 3-4% per annum) 	

	<ul style="list-style-type: none"> Energy Performance Certificates (EPCs) 	<ul style="list-style-type: none"> Completed by contractor in line with DE policy instructions (PIs) and reported Produce improvement plan 	<ul style="list-style-type: none"> Energy Performance Certificates must show a rating of 68 or less (mid to low 'C' rating) as a minimum requirement 	<ul style="list-style-type: none"> Energy Performance Certificates to be compliant with DE policy instructions
	<ul style="list-style-type: none"> Embodied carbon (carbon related to the delivery and maintenance, through to disposal of an asset) 	<ul style="list-style-type: none"> For further discussion 	<ul style="list-style-type: none"> For further discussion 	<ul style="list-style-type: none"> Performance reporting could operate to Royal Institution of Chartered Surveying (RICS) standards
Waste	<ul style="list-style-type: none"> Avoidance of waste going to landfill 	<ul style="list-style-type: none"> Reporting methods as per the Waste Resources Action Programme (WRAP) net waste tool 	<ul style="list-style-type: none"> The target to be 11 tonnes of construction waste per £100,000 of work. 	<ul style="list-style-type: none"> WRAP to be consulted on how this is to be reported Gainshare mechanism to be considered to incentivise improving performance
		<ul style="list-style-type: none"> Recovery of non-hazardous waste material 	<ul style="list-style-type: none"> 80% recovery of construction waste 80% recovery of material from refurbishment strip- 	<ul style="list-style-type: none"> Standards and targets are set by the Sustainable Development in Government

			<ul style="list-style-type: none"> out 90% recovery of material from demolition and excavation 	(SDiG) framework
	Overall waste reduction	<ul style="list-style-type: none"> Contractor to produce Contract Waste Management Plans (<i>covering construction, rather than estate, waste, and spanning the whole contract area to reflect the management of waste between sites</i>) 	<ul style="list-style-type: none"> Waste reduction targets could be set at the design stage 	
		<ul style="list-style-type: none"> Use of recovered materials and recycled content (applicable to projects over £300,000 in value) 	<ul style="list-style-type: none"> 15% of material used in new-build projects 10% of material used in refurbishment 	
Water	Consumption	<ul style="list-style-type: none"> For further discussion 	<ul style="list-style-type: none"> For further discussion 	<ul style="list-style-type: none"> Targets for water consumption must be compliant with the existing MOD Project Aquatrine contracts

	Minimum estate standards (e.g. fitting push taps, waterless urinals, etc)	<ul style="list-style-type: none"> For further discussion 	<ul style="list-style-type: none"> For further discussion 	
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For biodiversity, heritage, climate change adaptation, sustainable communities, and sustainable procurement...

SD Theme	Area	Key requirement	Target	Metric
Biodiversity	Sites of Special Scientific Interest (SSSIs)	Maintain, monitor and improve the condition all SSSIs	For further discussion	Percentage of SSSIs achieving target condition
	Biodiversity Action Plan (BAP)	DE customers to produce an annual Biodiversity Action Plan, assisted by prime contractors	For further discussion	Percentage of BAP actions achieved
Heritage	Buildings at Risk (BAR)	Reduce the number of Buildings at Risk (for prime contracts covering BARs)	For further discussion	Number of buildings removed from the BAR list
		Designations including BARs which are added during the contract period should be added to the BAR list		
	Heritage assets (e.g. listed buildings, schedule monuments, etc)	If heritage assets are in disposal, ensure they are wind- and weather-proof as a minimum	For further discussion	Percentage of heritage assets in disposal that are wind- and weather-proof
		Maintain and improve condition of heritage assets		Percentage of buildings and assets improved (via quadrennial

				inspections)
Climate change adaptation	CIRAM (Climate Impacts Risk Assessment Methodology)	Where a CIRAM assessment has been conducted for a site the contractor will ensure it is embedded within their Schedule of Works (CIRAM to be conducted by DE customers, with support from DE)	100% of sites with CIRAM finding embedded in Schedule of Works	Percentage of sites with CIRAM findings embedded in Schedule of Works
	Climate resilience	All construction and maintenance projects to be future-climate-proofed using the most relevant or accurate data (e.g. UK Climate Projections 2009); likely to require standards above current Building Regulations and linked to the Whole Life Costing process	For further discussion	For further discussion
Sustainable communities	Community volunteering	Ensure wider community benefits from MOD activity	One hour in every 100 hours worked by prime contractor staff to be spent in the community	Hours given to community projects
	Considerate Constructors	Contractor to sign up to the 'Considerate Constructors' scheme (an industry standard, auditing across five themes to reach a score out of 40)	Benchmark score for further discussion	Considerate Constructor scoring
	Investment in Community (to be further considered in the light of existing EU Procurement Rules and the	Local employment	For further discussion	For further discussion
		Spend on local economy	For further discussion	For further discussion

	need for fair and open competition)			
Sustainable Procurement	Flexible Framework	Prime contractors to use the Flexible Framework assurance checklist tool (as per Sustainable Development in Government)	In line with Sustainable Development in Government requirements.	Level of Flexible Framework achieved
	Government Buying Standards	All procurement activity to comply with the minimum product specification outlined in the Government Buying Standards (formerly 'Buy Sustainable - Quick Wins')	100% of products compliant	Percentage of products compliant with Government Buying Standards
	Responsible sourcing of materials	All products and materials to be procured in line with mandatory Government procurement rules.	For further discussion	Subjected to an assurance exercise
		All procurement must satisfy MOD Defence Conditions (e.g. DEFCON 691 – Sustainable Timber)	For further discussion	Subjected to an assurance exercise
	Whole Life Costs (WLC) and Life Cycle Costing (LCC)	All expenditure must follow Treasury guidelines and be based on Whole Life Costs	For further discussion	For further discussion
		All investment appraisals to include sustainable development and follow the relevant 'Defence Instruction and Notice' (DIN 2008DIN08-019)	100% compliant	Percentage of investment appraisals compliant with DIN 2008DIN08-019

General (for further discussion)	Defence Related Environmental Assessment Methodology (DREAM) or equivalent	All new build and major refurbishment projects to achieve a DREAM 'excellent' rating	100% achieved	Percentage of projects achieving DREAM 'excellent' rating
	Sustainability appraisals	All programmes, plans and projects to undergo a sustainability appraisal, in line with mandatory MOD policy	100% appraised	Percentage of projects which have undergone a sustainability appraisal
	Sustainable Development Action Plans (SDAP)	Contractor to produce a Sustainable Development Action Plan outlining key actions in line with MOD, DE, and Supplier Association action plans	90% of actions completed	Percentage of SDAP actions completed

PROPOSAL: prioritisation matrix for estate business cases

Based on the 18 May NGEN Industry Focus Group discussions on assessing business cases for estate work, including sustainability considerations, Defence Estates has subsequently drawn up the following draft prioritisation matrix. The Focus Group discussed using the matrix to prioritise the various works required at a particular Defence site or establishment, with criteria weighted to reflect the current priorities (e.g. carbon, cost, operational effectiveness) for that site.

Broadly speaking, Defence Estates could liaise with the prime contractor and the customer to identify a “schedule of works” for the site, and then produce a business case for each ‘work’. As part of each business case, the contractor would complete a form along the lines of the matrix below, providing an evaluation of proposed work against MOD targets and requirements. Business cases could then be prioritised, with the most suitable and beneficial work being approved to proceed.

Please note: this proposal is intended to inform and guide – but not to dictate – the development of the new contracts. There is no guarantee that any of the detail in this table will be reflected in the future arrangements.

MOD aims	<i>Is the work affected by & comply with legislation?</i>	<i>Does the work result in a whole-life financial benefit to the bill-payer?</i>	<i>Does the work result in a whole-life financial benefit to the land-owner/ landlord?</i>	<i>Does the work support a particular sustainability target? (quantify the achievement (savings, increase, reduction, etc) which can be reported by the bill-payer and the land-owner)</i>	<i>Will the work improve operational efficiency/ effectiveness? (for example: supports current efficiency/effectiveness programmes on site, or integrates with other systems/equipment on site)</i>
Energy					
Waste					

Water					
Sustainable procurement (including materials and products)					
Biodiversity					
Heritage					
Climate Change Adaptation					
Sustainable Communities					
Contractors' aims		<i>Does the work generate a financial benefit for the end-user?</i>	<i>Does the work generate a financial benefit for the landowner/ landlord?</i>	<i>Will the work contribute towards Defence Estates corporate targets?</i>	<i>Will the work support MOD corporate targets?</i>
Energy					
Waste					
Water					

Sustainable procurement (including materials and products)					
Biodiversity					
Heritage					
Climate Change Adaptation					
Sustainable Communities					