



Government Construction Newsletter 2 – May 2012

The three months since publishing our first newsletter have been busy. With all governance structures in place and Task Groups established, real and tangible progress is being made to implement the Government Construction Strategy (<http://www.cabinetoffice.gov.uk/content/government-construction>). We look forward to providing a full update at the Government Construction Summit on 2 July (see further details below and at <http://www.governmentconstructions Summit.co.uk/>).

The latest news is that Ministers announced on 15 May that they are seeking a successor to Paul Morrell as Government Chief Construction Adviser when he steps down at the end of November 2012. Anyone interested in applying or making a nomination should contact the Department of Business, Innovation and Skills (peter.payne1@bis.gsi.gov.uk) in the first instance.

New pipeline published to help strengthen UK supply chains

The third iteration of the construction pipeline was published on 26 April as part of a suite of 13 sector-specific pipelines and a wider package of proposals to support business.

The combined construction and infrastructure pipeline data covers over 600 projects and programmes across both the public and private sectors worth c. £40bn over four years to 2014/15 (excluding rail and other regulated and private sector infrastructure investment). The latest pipeline has greater granularity and reach than earlier iterations; the intention is that over time virtually all central government construction spend will be in the pipeline, which will be re-published on a six-monthly basis.

Pipeline data is intended to give businesses more confidence over the Government's forward programme of construction so they can make more informed decisions over where they should invest and plan to compete. The data also allows government and industry to work together to identify any skills and investment gaps so they can act to safeguard UK competitiveness and the potential for growth. Alongside the pipeline, the Government published an initial analysis of strategic capability, using construction and tunnelling as an example and identifying some of the skills and changes required to meet future demand. These elements are both part of a new "Procurement Pledge", signed by 17 industry bodies and suppliers, including the UK Contractors Group and Network Rail. The Pledge sets out a long-term agreement to work with Government to reform public procurement to deliver greater efficiencies and support economic growth. Lower value construction procurements are

advertised on a single portal called Contracts Finder. Beyond those direct opportunities, Contracts Finder is now able to accommodate opportunities for SMEs to work for main contractors that don't already have a complete supply chain in place when awarded government contracts.

For more details:

- Construction pipeline: http://www.hm-treasury.gov.uk/infrastructure_pipeline_data_update.htm
- Initial analysis on strategic capability: <http://www.bis.gov.uk/procurementandgrowth>
- Procurement Pledge: <http://www.cabinetoffice.gov.uk/resource-library/our-procurement-pledge>
- Press notice *£70 billion of potential government business published to boost UK growth*: <http://www.cabinetoffice.gov.uk/news/70-billion-potential-government-business-published-boost-uk-growth>
- Contracts Finder: <http://www.contractsfinder.businesslink.gov.uk/>

IUK cost review annual report published

In March, the Government published the first annual report of the three-year Infrastructure Cost Review programme led by Infrastructure UK.

The programme is on track, with the first annual report having already identified projected savings of up to £1.5bn through changed behaviours and practice, consistent with the Cost Review principles. Examples of savings include a projected 20% saving (over £600m) on the 20 major projects being delivered through the Highways Agency's Managed Motorways and Trunk Road Improvement programme, and over £400m efficiency savings from London Underground.

These examples, along with the others detailed in the report, represent evidence of good progress towards the overall objective of £2-3bn of infrastructure savings per annum by 2015. Other key achievements and work in progress highlighted in the annual progress report include:

- government and industry agreement to the Infrastructure Charter as a basis for setting out the behaviours required to improve collaboration and reduce costs;
- working towards the development of a 'route map' to enable public and private clients to select the most appropriate procurement strategy and drive consistent behaviours and practice across infrastructure programmes or projects;
- application of new approaches to the management of risk and contingency in public sector infrastructure projects;
- formation of an Industry Standards Group to remove duplication and redundancy in technical standards for infrastructure assets;
- commitment to address the problems of cyclicity in the water sector as part of a joint study with Ofwat; and
- partnerships with industry to improve supply chain skills and capability and access cross sector efficiencies – starting with pilot programmes for tunnelling across rail, waste water and energy projects.

For more details:

- Cost Review Annual Report: http://www.hm-treasury.gov.uk/d/iuk_cost_review_report2012_230412.pdf
- Contact Infrastructure UK at InfrastructureCost@hmtreasury.gsi.gov.uk

Further benchmark data published

The Government followed up its February release of cost benchmark data and cost reduction trajectories with data for social housing and accommodation for military personnel. Data is now available for all seven main construction spending departments, showing benchmark construction costs as at 2009/10 and the targeted reduction to be achieved by 2014/15. Cost benchmark data is also presented in a diagrammatic form that shows the distribution of individual project costs. The availability of this data does not just provide departments with a basis for making cost a stronger determinant in setting up projects, based on what is achievable. It also opens the door to new forms of procurement, inviting bidders or companies within a framework to work collaboratively to “beat the benchmark”; and allows those who think they can do still better to demonstrate as much.

The updated benchmark document also includes indicative cost reductions achieved during 2011/12 and cost data from Network Rail, and is available at <http://www.cabinetoffice.gov.uk/resource-library/construction-cost-benchmarks>

Trials of new procurement models kick off

Following publication of the three new procurement models developed by the Procurement Task Group (see interim report at <http://cabinetoffice.gov.uk/resource-library/government-construction-task-groups>), the first trial project kick-off meeting took place with the MoD in April. There should be more to say about this in the next newsletter.

Effective frameworks endorsed

The Procurement Task Group’s report on the effectiveness of framework agreements nears completion. The evidence indicates that there are benefits in the use of effective frameworks and those that are properly planned, procured and operated deliver great value. The report recommends that Government ensures the core principles and features of effective frameworks are incorporated in future frameworks, and that a ‘clearing house’ process is adopted to accredit compliant frameworks. The report will be published as part of the final Procurement Task Group report to Government in July.

The BIM revolution gathers pace

The Building Information Modelling (BIM) Implementation Task Group is working hard to prepare Government to operate in a BIM-enabled environment. Tenders for the first BIM Early Adopter trial project (HMP Cookham Wood) are under consideration and the team is engaging with other Government departments to develop implementation plans. The digital data exchange format known as COBie 2012 has been prepared and a number of institutions including RIBA have been working with the Construction Industry Council (CIC) to develop BIM enabled plans of work. A Publicly Available Standard (PAS), PAS 1192-2:2012, which documents the delivery of BIM enabled design and construction information will shortly undergo public consultation with an operational version covering asset management and operation due for the end of the year. Work on contractual terms and a comprehensive training strategy is underway. Links are also being forged with complementary programmes for developing private and public-private sector collaborations in the form of BIM for Retail, BIM for Rail and BIM for Developers. A reciprocal Memorandum of Agreement has been reached with buildingSMART US to develop a national BIM standard with the principles of interoperability. This will be key to our future delivery of Level 3 “Open & Shared” BIM. A network of regional BIM hubs, co-ordinated by

the CIC, is being developed to act as the first point for BIM advice to industry, SME's and clients, encouraging the sharing of BIM knowledge and best practice.

For more details:

- BIM microsite: www.bimtaskgroup.org
- BIM Twitter feed: @BIMgcs

PBAs how-to guide published

The Project Bank Account (PBA) User Group has developed a *Guide to the Implementation of Project Bank Accounts (PBAs) In Construction for Government Clients*. The Guide, available at <http://www.cabinetoffice.gov.uk/resource-library/project-bank-accounts>, provides clients procuring construction work with information on introducing PBAs on projects, which will speed cash flow through the supply chain. The development of the Guide follows the Government Construction Board's decision that Government should move to a position where PBAs are adopted as the default position unless there are compelling reasons to do otherwise. The forthcoming report of the Standards and Lean Supply Chain Task Group recommends that the impacts of PBAs are monitored over time, as the programme is rolled out. This report, due for publication in July, is also expected to make recommendations around the value proposition and health and safety.

Other Task Group news

The *Procurement* Task Group met for the last time in April, on completion of the first task relating to procurement – the investigation of alternative approaches that balance early supply chain involvement with the need to maintain competitive pressure. This heralds a new phase of this work, with the convening of a Trial Projects Delivery Group that will oversee the implementation of the trial projects, to be run jointly by Cabinet Office and Infrastructure UK. More details will follow in the summer.

The *Performance Management* Task Group looks forward to publishing its 'Definition of Constructing Excellence'. This does not seek to replicate the guidance that already exists, but rather to be a generic statement of intent to be agreed by both the industry and client sides as a baseline for setting plans and assessing performance. The Group is also workshopping performance measurement metrics that can be agreed with key suppliers and embedded through their supply chains. Together these elements will deliver a legacy of measurement towards continuous improvement across government contracts.

The *Government Soft Landings* workstream, which is focussed on integrating design and construction with whole-life operation, continues to engage closely with the BIM team and is bringing forward further trial projects. The draft policy document on Government Soft Landings, which will be supported by guidance and a process map that reflects the BIM stages and approach, will also be published in July.

Looking ahead to the Government Construction Summit

Looking forward, the Government Construction Summit on 2 July is a key milestone. At the time of this conference, one year on from the official launch of the Government Construction Strategy, we will provide a detailed account of progress to date, and set out the specific actions proposed for year two and beyond.

As we said when the original Action Plan was published, it is an ambitious programme which we expected would evolve as we engaged with Government clients and industry. There are some elements of the original plan which have shifted in the proposed timetable or which are now being dealt with in a different way. This

applies particularly to reviewing how whole life value should be measured, principles for setting standards across departments (including use of standardisation), procurement pathways and reduced transaction costs generally. Work is in progress on all of these, and we will report on a revised programme in July, showing when and how these and all other items in the Action Plan will be delivered taken forward.

The Summit will bring together Government speakers such as Ministers Francis Maude and Mark Prisk, the Chief Construction Adviser Paul Morrell, co-chair of the Green Construction Board Dan Labbad with high profile industry figures.

For further details of the programme and how to book a place, see <http://www.governmentconstructionsummit.co.uk/>.

Engagement with industry

We are actively engaging with industry to implement the Government Construction Strategy.

Over 120 individuals from the private sector are directly involved in our six Task Groups set up to drive various strands of the strategy – the list of members is available at <http://www.cabinetoffice.gov.uk/resource-library/government-construction-task-groups>. The Task Groups all report into the Steering Group, chaired by Andrew Wolstenholme, which itself is accountable, with the parallel IUK governance structure and its Steering Group, chaired by Peter Hansford, to the quarterly meetings of the Government Construction Board. A graphical characterisation of the whole governance structure is available at <http://www.cabinetoffice.gov.uk/resource-library/government-construction-strategy-governance>.

In addition, we run a programme of six-monthly conferences bringing together the key construction suppliers to Government and senior contacts in Government departments with major construction programmes. The most recent event included a forward look at the schools programme from Mike Green, the newly appointed Head of Capital at the Education Funding Agency; and a presentation by Canary Wharf Group about integration within the supply chain and supporting SMEs. Slides, where used, are available at <http://www.cabinetoffice.gov.uk/resource-library/progress-implementing-government-construction-strategy>.

We want these newsletters 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.

If you would like to be added to the distribution list for our newsletter please email servicedesk@cabinet-office.gsi.gov.uk.