

Government Construction Newsletter 3 – September 2012

The months since the last publication have seen a number of developments. More than 500 delegates attended the Construction Summit in July with leading construction figures hailing it the most important construction event of the year. The Summit was attended by Ministers Francis Maude and Mark Prisk. It showcased how Government construction is changing with a relentless focus on eliminating waste, greater understanding of costs, introducing new ways of working to foster collaboration and innovation and smarter use of technology.

The Procurement/Lean Client and the Standards Task Groups have published their final reports to government and we are starting to see some of their recommendations being put into practice. Cost benchmarking and cost reduction data has been published, as well as the Defining Excellence in Construction report. Links to these reports can be found at: <http://www.cabinetoffice.gov.uk/resource-library/government-construction-task-groups>

The Summit launched the publication of the *Government Construction Strategy: One Year On Report* which highlighted the progress already made against the strategy commitments as well as identifying where there is still work to be done. More information on the Summit, including links to speeches, publications and twitter feeds can be found at: <http://storify.com/cabinetofficeuk/government-construction-summit>

Finally, Peter Hansford will be taking over from Paul Morrell as Chief Construction Adviser following Paul's retirement. Peter will take up his new role on 1 December 2012 and we wish him every success in his new role.

Cost reductions achieved during 2011/12 published in July

During 2011/12, departments made further progress in delivering cost reduction targets. Cost reductions of £72m have been achieved in-year. And whole project life¹ cost reductions of £279m have been identified on new contracts awarded and projects registered during 2011-12. This has been achieved through applying the principles of the Strategy to around £2.6bn of spend in the main procuring departments.

¹ Typically those cost reductions relating to the total project value corresponding to the construction phase and which are therefore realised over a number of years. The figure of £279m therefore includes the £72m.

A full explanation of these cost reductions can be found within the publication of July 2012, which is available at:

http://www.cabinetoffice.gov.uk/sites/default/files/resources/GCS-Publication-2-July-2012_G_Departmental_Cost_Benchmarks_Cost_Reduction_Trajectories_and_Indicative_Cost_Reductions_0.pdf

Within this publication, the Government also followed up its April release of cost benchmark data and cost reduction trajectories by providing complete cost benchmark data for 2011/12 from all seven main construction spending departments. Corresponding data from infrastructure provider London Underground was also published alongside the data already made available for Network Rail.

New way to monitor Trial Projects

Ground-breaking approaches to construction procurement are amongst those to go under the microscope with the creation of bodies to co-ordinate and monitor successful delivery of the trial project elements of the *Government Construction Strategy* and *Infrastructure Cost Review*. This approach was a recommendation of the Lean Procurement Task Group and has been endorsed by the GCB.

With the first trials now underway, a Trial Projects Delivery Group chaired by Phil Wilbraham, planning and programme director at BAA, will ensure that they are carried out in accordance with the objectives of the *Government Construction Strategy* and *Infrastructure Cost Review*. It will challenge clients and suppliers to rethink the way they work, as part of a focus on securing better results through the trials.

To confirm this, Constructing Excellence chief executive Don Ward will head up a Trial Project Support Group. This group will carry out detailed analysis of the trials, measuring their outcomes and reporting whether they have met a series of agreed success criteria. Both groups met for the first time in September

Government Soft Landings (GSL) joins forces with BIM

GSL will be integrated with BIM to capture the significant benefits and synergies that exist between the two programmes, adding value to standard processes at the construction stage and subsequent asset operational performance.

BIM will be used as a tool for the implementation of GSL to improve the value offered by public sector construction, the performance of buildings as well as infrastructure and to meet the requirements of users.

The ongoing maintenance and operational cost of a building during its lifecycle far outweighs the original capital cost of construction and GSL addresses this through early engagement in the design process. And BIM is able to connect design and construction information to asset management, providing a vital feedback loop with end users to improve efficiency and innovation.

Industry best practice continues to be fed through the BIM4 groups and BIM Regional Hubs, Construction Industry Council and FM Industry organisations.

More information on the work of both the BIM and GSL Team can be found at www.bimtaskgroup.org.

Performance Management Task Group embeds continuous improvement

The Performance Management Task Group presented its findings to Government on how best to embed continuous improvement on both client and supplier sides to achieve further efficiencies through the supply chain. This work was carried out in the light of the

Definition of Excellence report, published by the Government Construction Board in June 2012.

The Task Group developed, analysed and reviewed best practice processes across government, industry and the regulated industries.

Through working with strategic construction suppliers and departments to measure 360° performance across government programmes, key Government Construction Strategy initiatives and policies will be embedded to deliver growth and continuous improvement. It will be possible to identify suppliers that can work with government to deliver cost reduction without detriment to quality. Similarly, departments will be able to become more efficient and drive out waste in their processes and procedures.

An initial plan of work is due to be commenced shortly with a view to implementing a wider programme in the coming months.

IUK Update Report

Two work streams from the Infrastructure Cost Review have published reports over the summer. The Industry Standards Group published “Specifying Successful Standards” which can be found here: <http://www.ice.org.uk/News-Public-Affairs/Media-and-press-centre/Specifying-Successful-Standards>. This report investigated how clients in the transport sector set out their technical and performance requirements through the use of standards and set out a series of recommendations to reduce bureaucracy and redundancy and to encourage industry to develop innovative solutions.

Evidence of improved practice that delivering real savings is already being found, for example, the simplification of escalator standards between London Underground (LU) and Crossrail meant LU saved around £87m on escalator costs and Crossrail saved 25% on overall escalator provision. The Standards Group is now working through the implementation of these recommendations with industry and clients, seeking to measure and replicate the benefits in other infrastructure sectors.

The “Smoothing Investment Cycles in the Water Sector” report (http://www.hm-treasury.gov.uk/d/iuk_smoothing_investment_cycles_in_the_water_sector.pdf) analysed the impact on cost and jobs in the supply chain through the cyclical nature of the investment profile in the regulated water sector. If implemented in full, the report’s recommendations could reduce the average customer water and sewage bills by 2% per cent, saving £6.50 on average annual bills; saving the water industry £600m every five years; and prevent up to 40,000 job losses over the next five years.

British Construction Industry awards – 10 October

The awards are the *Oscars* for the construction industry and previous winners of the Cabinet Office and BIS co-sponsored Prime Minister’s Better Public Building Award include London Tate Modern, A650 Bingley relief road and the Velodrome on the Olympic Park. The Prime Minister’s award rewards excellence in both design and procurement in all new public building and this year has yet more high-quality nominations.

A follow on event in January 2013 is planned to showcase the shortlisted and winning projects for the Prime Minister’s Better Public Building Award and highlight the importance of construction to the growth and Government’s green agendas. The projects shortlisted show how construction of the everyday – streets, schools, bridges and stations – easily ranks among the most imaginative assets being built.

More details are available from <http://www.bciawards.org.uk/home>

Key Supplier Event - 21 November

The second forum this year for the top 30 construction suppliers to government to meet key government clients and other government suppliers. The leading topic at this meeting will be integrated supply chains.

Updated Construction and Infrastructure Pipeline to be published soon

The fourth iteration of the construction pipeline is planned to be published in autumn this year, for the first time working in conjunction with Barbour ABI. The combined construction and infrastructure pipeline, published in April 2012, covered over 600 projects and programmes across both the public and private sectors. It was worth c.£40bn over four years to 2014/15 (excluding rail and other regulated and private sector infrastructure investment).

The first fully managed iteration of the Pipeline will be published in the spring of 2013 by Barbour ABI at no cost to Government. Over time, virtually all central government construction spend will be on the pipeline and suppliers will be able to 'drill down' into projects to identify packages of most interest to them.

The construction and infrastructure pipeline is available from http://www.hm-treasury.gov.uk/infrastructure_pipeline_data_update.htm

PAS91 Consultation ends

The consultation period on the draft revised PQQ has now closed. Cabinet Office and BIS are working with industry representatives as part of the BSI led move to revise PAS91 – the construction industry standard for PQQs – and encourage its wider use.

Government remains committed to standardised, simple to use PQQs and mandating the use of PAS91.

BSI plan to publish the revised PAS91 at the end of the year.

Farewell and thank you

Finally, we thank Paul Morrell for his energy, commitment and drive during his time as Chief Construction Adviser. Paul leaves a considerable legacy. He has brought together departments and industry to engage in open, constructive dialogue to realise the mutual benefits of efficiency and innovation. We are already witnessing the benefits of this approach.

The Government Construction Strategy, of which Paul was the chief architect, is set to achieve the Government's commitment to making 15-20% cost reductions in construction procurement over the life of this Parliament.

We are extremely grateful to Paul and wish him every success for the future.

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.

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