

5

strategic issues

**Rethinking
Construction
in local
government**

ten key issues and how to address them

Rethinking Construction principles

- Traditional processes of selection should be radically changed because they do not lead to best value;
- An integrated team which includes the client should be formed before design and maintained throughout delivery;
- Contracts should lead to mutual benefit for all parties and be based on a target and whole life cost approach;
- Suppliers should be selected by Best Value and not by lowest price: this can be achieved within EC and central government procurement guidelines;
- Performance measurement should be used to underpin continuous improvement within a collaborative working process;
- Culture and processes should be changed so that collaborative rather than confrontational working is achieved.

5 strategic issues

If your authority addresses these strategic issues, then it will make implementing Rethinking Construction principles much easier for officers dealing with individual projects at operational level.

1

Ensure your corporate procurement structure enables your authority to strategically consider and implement Rethinking Construction principles

2

Encourage innovation, efficiency and effectiveness by involving all those who can contribute to the success of a project from the earliest possible stage

3

Develop a 'Respect for People' culture by ensuring that all involved have the necessary skills and are working in a safe and healthy environment

4

Focus on the desired outcomes from your projects and the extent to which they are achieved

5

Establish a strategy for each project and communicate this to all members of the team



Ensure your corporate procurement structure enables your authority to strategically consider and implement Rethinking Construction principles

1



Ensure your corporate procurement structure enables your authority to strategically consider and implement Rethinking Construction principles

You can do this by:

- 1.1 Ensuring that a suitable forum exists to consider procurement issues across the authority.
- 1.2 Collecting information on the nature of current procurement expenditure.
- 1.3 Collecting information on future procurement plans.
- 1.4 Playing to your strengths and seeking continuous improvement by addressing areas of perceived weakness.
- 1.5 Ensuring that planned capital expenditure adequately accommodates sustainability.
- 1.6 Ensuring that your Contract Standing Orders and Financial Regulations do not represent obstacles to your plans. If they do - change them!
- 1.7 Establishing a culture throughout your authority for appointing contractors based on best value rather than lowest price.

The following pages explain how to do this.



Ensuring that a suitable forum exists to consider procurement issues across the authority

- Your authority should have a corporate procurement team led by a professional 'Head of Procurement'. However, if this is not practical:
 - Establish a 'Procurement Group' consisting of officers drawn from each service area and department, which meets periodically (e.g. monthly) to discuss and consider procurement issues; and
 - Nominate the Head of the Group as the focal point for procurement expertise within your authority and for contractors wishing to do business with your council.
- Make sure that the professional experts in procurement and project management within the authority are known by all officers who are involved in procurement. Issue quarterly newsletters and publicise contact details on your Intranet and within new employee induction processes.
- Your authority must have an adequate corporate procurement strategy that is communicated to all concerned. Check that your Strategy is satisfactory and has been prepared properly by looking at 'How to Produce a Corporate Procurement Strategy' published by the CIPFA in 2003. www.cipfa.org.uk
- Make sure elected members at your authority are convinced of the benefits that good procurement offers to the standard of services. Procurement should fall within the remit of a specific Member and be included within the responsibilities of a Chief Officer on the Senior Management Team
- To raise Members awareness, give each of them a copy of the 'Members' Guide to Procurement' that was produced by IDeA and the 4ps in 2003. www.idea-knowledge.gov.uk
- For further information see:
 - ▶ 'National Procurement Strategy for Local Government', published by the Office of the Deputy Prime Minister (ODPM) in 2003. www.idea-knowledge.gov.uk
 - ▶ Towards a National Strategy for Local Government Procurement. The Joint Response of the Government and the Local Government Association to the Local Government Procurement Taskforce Report 'Delivering Better Services for Citizens'. Published by the ODPM in 2002. www.odpm.gov.uk
 - ▶ Delivering Better Services for Citizens - a review of local government procurement in England (the Byatt Report) DTLR and LGA 2001. ISBN 1 851124 85 3

Collecting information on the nature of current procurement expenditure

- Make sure your IT systems enable data to be readily obtained regarding the nature of your authority's procurement expenditure. This needs to include details of how much is spent, what it is spent on, and who within the authority spends it. It should also highlight the types of goods, works or services involved, what procurement routes are employed and the forms of contract used.
- Use the above to maintain a corporate contract register that identifies all major projects awarded by your authority. This will help you identify major contracts that are soon due for renewal and enable more informed future decision making.
- Analyse the information you obtain regularly and determine how value for money may be improved by, for example, identifying areas where long-term contractual and partnering arrangements may be of benefit.

Collecting information on future procurement plans

- Set up joint in-house team(s), that meet regularly (e.g. at least quarterly) to discuss and review procurement plans. The teams should represent all clients who need capital construction work, as well as revenue projects, services and supplies in the next five years, and should include:
 - relevant finance and legal people;
 - in-house technical services and/or contracting partners when and where available; and
 - a representative from HR, where staff transfers may be involved.
- Ensure that plans are adequately discussed with stakeholders and end-users;
- Publish a 'Procurement Plan' that outlines major projects to be commissioned over the next five years. Within the Plan, highlight when procurement processes need to commence for individual projects;
- Ascertain the resources that will be required to deliver each project in the Plan. Give full attention to ensuring that in-house procurement expertise focuses on those projects perceived to be of greater risk and to identifying where assistance, through consultants, will be required.
- To help with the annual updating of the Procurement Plan, maintain a rolling programme of provisional major projects, together with outlines of anticipated levels of funding. A 'certainty factor' (say from 1 to 10) can be allocated to each project within the programme to indicate the likelihood of the project progressing.

Playing to your strengths and seeking continuous improvement by addressing areas of perceived weakness

- Your corporate procurement strategy should identify the strengths and weaknesses within current procurement procedures. It should also contain an Action Plan, with clear target dates for securing any improvements that are considered necessary.
- When compiling the Procurement Plan, ensure the corporate procurement team/group knows what you do well. The Plan should aim to repeat and build on these strengths, while not being hesitant to experiment with new ideas.

Sustainable development means meeting the needs of today's population without harming the ability of future generations to meet their own.

Local authorities have a key role to play in sustainable development, with over 70% having taken up the challenges of The Earth Summit and Local Agenda 21.

Ensuring that planned capital expenditure adequately accommodates sustainability

- Your authority should have a clear policy on the issue of sustainability (environmental and social) and this should be adequately accommodated within its' corporate procurement strategy.
- Sustainability issues should be addressed at each stage of the procurement process. You can do this by including it as a standing award criterion for all of your contracts. The opportunity can then be taken, for example, to ask potential contractors to explain the steps they have taken to minimise the amount of waste produced from their construction processes. Designers could be asked how they ensure they specify products and materials with strong sustainability criteria.
- Regularly discuss with designers how action can be taken to improve the energy efficiency of completed buildings, and on the source of any materials that they specify.
- For further information and numerous links to useful documents, look on the DTI Construction Sector Unit website www.dti.gov.uk/construction/sustain/

Other documents that you may also find useful include:

- ▶ 'Sustainability and Local Government Procurement'. One of a range of guidance documents published in 2003/04 under the title of 'Modern Procurement in Local Government' by the IDeA. www.idea-knowledge.gov.uk
- ▶ 'Building a better quality of life – A Strategy for more Sustainable Construction' published by Construction Best Practice 2001 and now available from the ODPM.
- ▶ 'Wellbuilt! Sustainable Construction Action Plan for Local Authorities' www.wellbuilt.org.uk

Ensuring that your Contract Standing Orders and Financial Regulations do not represent obstacles to your plans. If they do – change them!

- Look through the following issues to see how the Contract Standing Orders and Financial Regulations measure up at your authority. If you find any shortcomings, change them!

- They should provide a practical framework for successfully implementing Rethinking Construction principles.

Make sure the culture within your organisation is right for considering the subjective issues involved and, if necessary, for moving away from old practices (e.g. lowest price wins). Ensure this includes everybody involved, including members, lawyers, accountants and auditors.

- They should provide for shortlists to be compiled from the Constructionline database.

Constructionline is the UK's largest register of pre-qualified construction contractors and consultants and is a contributor to the Rethinking Construction initiative. Their register contains over 12,000 contractors and consultants who have each met pre-qualification requirements supported by the DTI.

Using Constructionline will save you money by reducing the administrative burden of maintaining your own approved lists, freeing up valuable resources and allowing you to

deliver more efficient and effective services. This will assist you in achieving best value. For further details visit www.constructionline.co.uk or telephone them on 0870 240 0152

- They should encourage and not obstruct the seeking of best value.

For example, if your Contract Standing Orders focus on price alone then they may, quite correctly, require specific approval to be sought to accept a tender other than the lowest. In which case, officers may be tempted to avoid the extra work required, as well as delays, by simply issuing an order to the lowest bidder.

- Contract Standing Orders and Financial Regulations should be written in plain English.

If they are to be adhered to, they must be readily understood by all officers and Members within your authority. Therefore, they need to be written in non-legalistic terms.

- They should not be bureaucratic.

All control procedures should be in place for a specific purpose and the levels of checks and authorisations should be commensurate with the levels of risk involved.

- The Financial Regulations, Contract Standing Orders and any supporting guidance should be easily accessible.

Supporting guidance should be clear, user friendly and readily accessible to all staff. Establish a complete purchasing framework on your Intranet, which includes standard documents (e.g. tender invitation letters) to ensure consistency in approach across your authority

- Supporting guidance should include contract management processes that provide for 'gateway reviews' at critical stages of each medium and high-risk project.

Gateway reviews involve the review of project objectives, costs and programme at key stages in the procurement process. Such reviews make an important contribution to the success of each project and are a means of controlling risks and assuring quality. The National Procurement Strategy recommends that gateway review principles be adopted for all projects. To find out more, including detailed workbooks, look under Gateway Reviews on the 4ps website www.4ps.co.uk

- For further details see:

- ▶ 'How to Develop a Procurement Strategy', published by the CIPFA in 2003 which includes an example set of Contract Standing Orders that can be easily adopted by your authority. www.cipfa.org.uk
- ▶ Financial Regulations for a Modern Local Authority' published by the CIPFA in 2002. www.cipfa.org.uk

More than 70% of all publicly procured projects were over time or over budget

Modernising Construction
National Audit Office 2002

Establishing a culture throughout your authority for appointing contractors based on best value rather than lowest price

- Award contracts to those who can demonstrate the greatest potential for achieving your key success factors and thereby adding value to your projects.
- Still have competitive tendering exercises, but base selection on quality and technical issues, as well as price. (See Operational Issues Section 1).
- Make assessments that incorporate subjective professional judgements based on objective criteria and scoring methodologies.
- This concept must be recognised and accepted throughout the authority. Make sure everyone is signed up to it, including clients, stakeholders, lawyers, accountants and auditors.
- Also, make sure that the concept is applied throughout the supply chain. You will not get a best value solution if you appoint a main contractor on a 'best value' basis and they then adopt a 'least initial cost' approach with all other members of the supply chain.

Why do all this?

- To ensure that you have a suitable framework within which to work;
- To ensure information is shared across the authority and plans are established accordingly in the most efficient manner;
- To provide a firm platform from which you can effectively steer your procurement processes and ensure everyone is pulling in the same direction;
- To ensure expertise is focused in the right areas and help fulfil the authority's overall objectives.

Encourage innovation, efficiency and effectiveness by involving all those who can contribute to the success of a project from the earliest possible stage



2



Encourage innovation, efficiency and effectiveness by involving all those who can contribute to the success of a project from the earliest possible stage

In order to do this you will need to:

- 2.1 Establish and document the needs of clients, stakeholders, and end-users at the earliest possible stage.
- 2.2 Explore markets, discuss your needs openly with others, and encourage innovation. Do not be constrained by current or traditional ways of doing things. (We have always done it this way!).
- 2.3 Find out what other authorities have done/are doing.
- 2.4 Use the most appropriate types of contract and payment arrangements.
- 2.5 Encourage continuous improvement by establishing long term relationships.

Innovation is the effective generation and implementation of a new idea which enhances overall organisational performance.

See the following pages for how you can encourage innovation.

2.1

Establish and document the needs of clients, stakeholders, and end-users at the earliest possible stage

- Make it standard practice to include representatives from clients, stakeholders and end users at relevant meetings of the corporate procurement team;
- Also, make it a requirement within your procurement guidance documentation, to find out what the end-user actually needs. Ensure their needs and the objectives of the project are agreed and documented at the outset.

2.2

Explore markets, discuss your needs openly with others, and encourage innovation. Do not be constrained by current or traditional ways of doing things. (We have always done it this way!)

- Before packaging contracts and inviting tenders, find out what the markets can provide. Invite interested organisations for exploratory discussions and outline your initial thinking, needs, and opportunities. Be open, be receptive and learn from their ideas. Involve clients and end users in this process.
- Make it clear that in due course, following EC Procurement procedures if necessary, that tender invitations will be requested which will be evaluated on an objective quality-based process.
- Give them a written outline of what you tell them. Indicate the certainty and variables.
- Work with your strategic partners to establish the contributions that small firms, ethnic minorities, social enterprise and voluntary and community sector suppliers can make in their supply chains. This is particularly important so as not to involve just the big firms at the expense of local businesses.

Find out what other authorities have done/ are doing

- It is unlikely that you are the first authority in the country to let contracts of this kind. Find out what others are doing, by joining networks, Constructing Excellence Clubs and by participating in Regional Clusters (Demonstration Projects) and Forums. Learn from the experiences of others. Above all else - do not reinvent the wheel!

**If you always do
what you always
did you will
always get what
you always got!**

Sir Michael Latham

Use the most appropriate types of contract and payment arrangements

- Be cautious about developing bespoke contracts, as they could prompt suppliers to add premiums to their bid prices. Use national standard forms wherever possible, and do not make amendments to them, as this will risk the receipt of higher tender prices.
- Bespoke contracts or amendments to standard forms should not be accepted unless they result from a careful examination of the client's objectives and priorities, that they are technically and legally sound and that they can be applied consistently throughout the contractual chain.
- For detailed guidance on selecting forms of contract, have a look at:
 - ▶ A Guide to Standard Forms of Construction: outlining key characteristics and components' Local Government Task Force.
 - ▶ 'Which contract?' 1999 by RIBA Publications.
- Use friendly, non-adversarial forms of contract such as the ACA Standard Form of Contract for Project Partnering (PPC2000), or the New Engineering Contract (NEC) family of agreements published by the ICE.
- Use the opportunity to simplify payment systems for work done by exploring the potential benefits of new technology.
- Ensure that you will be able to measure and monitor outcomes in the most efficient way.

Encourage continuous improvement by establishing long term relationships

- Get the Corporate Procurement Team/Group, in liaison with Chief Officers as necessary, to identify areas where long term relationships can potentially be developed using partnering or framework agreements (see section 1.2 earlier). For what partnering agreements involve and how to manage them look at:
 - ▶ ‘Trusting the Team’ 1995 Reading Construction Forum
 - ▶ ‘Procurement through Partnering: 20 frequent questions answered’ Local Government Task Force.
 - ▶ ‘How to Use a Partnering Approach for a Construction Project: A Client Guide’ from the Chartered Institute of Building www.ciob.org.uk
 - ▶ The ACA Standard Form of Contract for Project Partnering (PPC2000: Amended 2003) ISBN 1 901171 11 6
 - ▶ Term Partnering Contract (TPC2001);
 - ▶ See Appendix 1 within the Supporting Information, for the ten golden rules for establishing a partnering agreement.
- Establish framework agreements to enable you to select a number of firms to work with you over the next few years. This will enable you to develop and implement your outline construction programmes without having to go out to tender on every project /service.
- Seek legal advice at an early stage, and check out the EC Procurement Directives, to make sure you follow the most appropriate path;
- Appoint a partnering/framework advisor, where necessary and where one does not exist in-house, to guide in the selection process, assist teambuilding and to provide a first port of call in the event of any misunderstanding or disagreements;
- Select partners/framework contractors by using a quality based selection process (see Operational Issues section 1).
- Develop and maintain with partners/framework contractors a related Information/Anecdotal database so that experience of all involved is not lost, but learnt from and shared.
- Use benchmarking to help ensure that quality and costs remain competitive (see section 4).

Why do all this?

- To help design out risks, reduce tendering costs, reduce waste;
- To build up and retain a knowledge base and a wider range of expertise and experience;
- To give greater predictability of design and construction time and out-turn costs;
- To reduce learning curves;
- To improve buildability of design without compromising quality;
- To increase commitment to quality and the probability that the needs of the client and end users will be satisfied;
- To improve feedback, giving added value to subsequent projects/services.
- To build quality design into procurement of assets to improve the built and natural environment for local citizens, including the learning environment for school students
- So that the finished building will ensure maximum functionality.

Further information

Partnership Approaches to Procurement:
Local Government Task Force
www.lgtf.org.uk

'A Guide to Project Team Partnering'
published by the Construction Industry
Council (CIC) in 2002
[www.cic.org.uk/information/
Publications/publications](http://www.cic.org.uk/information/Publications/publications)

'The Partnering Toolkit: A guide for the
whole supply chain' published in 2002
by BSRIA [www.bsria.co.uk/bookshop/
system/index.html](http://www.bsria.co.uk/bookshop/system/index.html)

'Integrated Supply Chain' and 'Integrated
Project Team' workbooks from the
Strategic Forum for Construction. These
offer guidance into the processes,
methods and tools required to create and
maintain an integrated supply chain.
[www.strategicforum.org.uk/
sfctoolkit2/home/home.html](http://www.strategicforum.org.uk/sfctoolkit2/home/home.html)

'Improving your Supply Chain: 20
Success Factors' Local Government Task
Force.

Develop a 'Respect for People' culture by ensuring that all involved have the necessary skills and are working in a safe and healthy environment

3



Develop a 'Respect for People' culture by ensuring that all involved have the necessary skills and are working in a safe and healthy environment

People are the construction industry's biggest asset. Addressing their needs, by way of training and working conditions, is key to ensuring the success of a project and achieving continuous improvement.

You can do this by:

- 3.1 Including Respect For People (RFP) as a selection criterion for your projects.
- 3.2 Benchmarking and setting targets for performance on RFP issues within your contracts.
- 3.3 Monitoring the performance of contractors on your sites.
- 3.4 Ensuring your authority is committed to people issues and has adequately addressed this within the Corporate Procurement Strategy and associated Action Plan.
- 3.5 Ensuring that all involved in the letting and administration of projects are adequately trained to fulfil their responsibilities and duties.
- 3.6 Encouraging staff to develop their skills.
- 3.7 Exploring different ways of funding training.
- 3.8 Ensuring you comply with your Race Equality obligations.

The following pages explain how to do this.

Including Respect For People (RFP) as a selection criterion for your projects

- Make RFP issues a standing criterion for all tender assessment processes. Make it standard practice when evaluating tenders, to enquire as to candidates' understanding of Respect for People initiatives, and how they apply them on their current projects;
- Within your standard procedural guidance, state that you expect the checklists contained within Constructing Excellence's Respect For People Toolbox to be used as a matter of course to assess tenders i.e.
 - Health and Safety
 - Working Environment
 - Workforce Satisfaction
 - Training Plan
 - Equality and Diversity in the Workplace; and if relevant
 - Work in Occupied Premises.
- Make it standard procedure for candidates to be asked to supply details of some current sites. Make provision for them to be visited and assessed using the questionnaires and score cards contained within the Toolbox.

Benchmarking and setting targets for performance on RFP issues within your contracts

- Do not think of RFP issues as only being required to be considered during tender processes. RFP is a key part of the overall Constructing Excellence Improvement agenda. Therefore, your procurement guidance material should confirm that you expect to work with your contractors on improving RFP performance throughout the duration of their agreements.
- Using the scores from example sites submitted with their tenders, and scores from projects let to other firms, set targets to be achieved within the duration of the project.
- But don't simply set targets and walk away. Really work with them to improve, and establish incentives for them doing so.

Respect for people is a key part of the agenda

3.3

Monitoring performance of contractors on your sites

- Use the RFP checklists and carry out regular checks during the course of each contract.
- Compare performance to targets and agree action plans to address any shortfalls.
- Review performance on completion. Compare the performance on your project with the Respect for People Key Performance Indicators.
- Use the information to enhance tender assessment processes for future projects.

3.4

Ensuring your authority is committed to people issues and has adequately addressed this within the Corporate Procurement Strategy and associated Action Plan

- The Corporate Procurement Strategy should identify the authority's position in respect of training of in-house staff and site welfare issues, and include actions for addressing any shortcomings in the Action Plan.
- If your Strategy does not do this, hold a workshop to discuss the issues and to decide a course of action to improve the situation. Make sure you involve staff representatives in the workshops, and that you consult, as necessary, with local workplace Trade Unions.

Ensuring that all involved in the letting and administration of projects, are adequately trained to fulfil their responsibilities and duties

- Identify the skills expected of each post involved in letting and administering projects and produce Schedules of Competencies accordingly. To assist with this, refer to the 'Skills Framework for Procurement and Contract Management in Local Government' and to the 'Skills Framework for Strategic Procurement in Local Government' produced by IDEa. www.idea.gov.uk
- Schedules should reflect the extent to which it is necessary for each individual to have a thorough understanding of the issues involved. For example:
 - The need for basic skills (e.g. writing specifications, using quality/price tender evaluation models etc.)
 - The need for experienced/qualified staff, to keep up with current developments (e.g. professional courses, training towards further qualifications, CPD etc); and
 - The need for all officers to have a general understanding of the authority's Contract Standing Orders and Codes of Practice.
- Ascertain the extent to which each officer has the necessary skills to do their job. This can be done by interviewing individual officers, and/or completing standard checklists/questionnaires (see Supporting Information Appendix 2).
- From this, you should be able to produce a skills/training matrix that highlights shortfalls and indicates the areas of training required.
- Establish a training programme accordingly and, most importantly, ensure that sufficient funds are made available to enable it to be completed. Keep the programme under review and undertake skills audits regularly (e.g. annually) to ensure it is maintained.

3.6

Encouraging staff to develop their skills

- Consider in-house secondments, say between Client/Service Manager and Service Provider/DSO);
- Enable and encourage seconded staff to widen their horizons on quite different schemes/services and to take on different roles and responsibilities.

3.7

Exploring different ways of funding training

- Consider building training budgets into the preliminaries of contract documents, so that the funding of any specific training needs are 'secure' and met from the project budget;
- Think about sharing the cost of joint-training courses with neighbouring authorities; and
- Look at the training programmes that are being delivered locally by the 4Ps regarding key procurement skills. www.4ps.co.uk

**Enabling
people to
deliver
success**

Ensure you comply with your Race Equality obligations

- Use the detailed guidance published in 2003 by the Commission for Racial Equality 'Race Equality and Procurement in Local Government' on how local authorities can carry out procurement in a way that complies with their statutory obligations in accordance with the 'Code of Practice on the Duty to Promote Race Equality'.
- Full details can be obtained from the CRE website www.cre.gov.uk

Further information

'Respect For People Toolbox', produced by Rethinking Construction in 2003, and available via the Constructing Excellence website

www.constructingexcellence.org.uk/resourcecentre/peoplezone/respect.jfp?level=0

'Preparing to Procure a Major Project'. Provides a further checklist for project teams to enable them to assess their readiness to embark on each stage of the procurement process and how to address any skills shortfalls. www.4ps.co.uk

'Procurement Essentials', one of a range of guidance documents published in 2003/04 under the title of 'Modern Procurement in Local Government' by the IDeA. www.idea-knowledge.gov.uk

'Recruitment, Retention and Respect for People: 20 ideas for delivering the 3R's. Local Government Task Force.

Why do all this?

- To help attract and retain good quality staff;
- To raise the image/profile of your authority;
- To improve morale and develop more rounded and experienced staff;
- To create better understanding of each person's skills, difficulties, roles and responsibilities and, hence, reduce the risk of conflict whilst increasing commitment to common objectives.
- Because by taking Respect For People issues seriously, and incorporating them within selection and performance monitoring processes, you provide the incentive for contractors to improve the working conditions of their operatives; and
- As working conditions improve, you will benefit from an increased likelihood of a successful project.

Focus on the desired outcomes from your projects and the extent to which they are achieved



4



Focus on the desired outcomes from your projects and the extent to which they are achieved

Do this by:

- 4.1 Establishing how well current procedures ensure the success of your projects.
- 4.2 Setting realistic targets for improvement.
- 4.3 Comparing your performance with others.
- 4.4 Identifying the desired outcomes of each project at the outset.
- 4.5 Producing specifications that relate to outcomes and/or outputs rather than inputs.

For details of how to do this, see the following pages.

Establishing how well current procedures ensure the success of your projects

- If you want to show others in future that you're getting better, you will need to establish a baseline by recording how well you are doing now.
- First, decide the areas within your authority in which you want to show you're getting better. Do not blindly adopt indicators used by others though, but establish indicators that are relevant to those things that are important to you and your stakeholders (i.e. your authority's key success factors). For example, client and end user satisfaction, level of defects, predictability of costs and completion dates.
- It may involve a lengthy administrative exercise to obtain data for the first time, so look at the extent to which it is available from existing IT systems and how it can be more readily obtained in the future.
- Do not get bogged down in producing masses of figures which are hard to interpret and costly to produce. Keep the number of indicators to a minimum (four or five is sufficient) and, above all else, keep them simple. Aim for producing 'radar charts' (as indicated at Appendix 7 within the Supporting Information), rather than pages and pages of numbers.
- Usually, the most important indicators will be those associated with client satisfaction with the product and service, closely followed by predictability of costs and time. Keep to these for starters and only add to them if it is justified by the key success factors you have identified.
- Remember. Keep your indicators simple and relevant to you.
- Be sure to establish the client's performance too. Service delivery is a partnership and the client can let the side down as well as the provider.

Setting realistic targets for improvement

- From the above exercise, identify areas of apparent poor performance. Discuss how improvement could be achieved within these areas at a meeting of your Procurement Group, and produce an Action Plan accordingly.
- Make sure that action is taken in accordance with the Plans, because simply measuring performance does not mean that it will automatically improve. "Nobody fattened a pig just by weighing it!"
- Ensure the Action Plan identifies who is going to do what and by when. Make sure you constantly keep an eye on progress by asking for regular feedback on the actions being taken.
- If major improvements are needed, aim to achieve them within the next three to five years. Still set targets for each year though, so you can monitor how you are doing.
- Set targets that reflect improvements that you feel are actually achievable, or you may be disappointed. For example, setting a target to be achieved for the next 12 months of containing costs within budgets, although admirable, would be unrealistic if your projects currently generally exceed them by, say, 20%. However, if you set targets for the next four years of +15%, +10%, +5%, and 0%; a project that comes in 12% over during year one will be demonstrated as being the success that it is, rather than a failure.

"It is a great mistake to equate value for money with lowest cost, especially when we look at buildings and public space. Innovative and creative design adds real value"

James Strachan
Chairman, Audit Commission

Comparing your performance with others

- The key to continuous improvement is establishing how well you are performing now (4.1 above), and working towards improvement in the future (4.2). No matter how good or poor your performance, this will ensure that you will get better over time.
 - It may be useful, however, to compare your results with others to see how you 'rank' with similar organisations. Comparing your authority with others will help decide the extent of any improvements that may be necessary. It could also identify councils who are apparently performing better than you, to whom you could make enquiries as to the initiatives that they have implemented.
 - Look to see if there are any 'benchmarking clubs' attended by neighbouring authorities in your area, within which you could share and compare your results.
 - To find out how your authority compares on a wider scale, consult the Key Performance Indicators produced by Constructing Excellence and/or the Core Cities for guidance.
 - However, do not lose sight of the fact that your main priority is to measure how well you are doing now and set targets for improvement. Make sure, therefore, that the benefits gained from any comparisons is worth the effort.
- For more information, look at the Constructing Excellence website www.constructingexcellence.org.uk
Here you will find details of:
 - ▶ The All Construction KPI Pack – a source of comprehensive information for organisations wishing to use KPIs;
 - ▶ Helpdesk – a direct point of contact to answer your initial enquiries about KPIs
Tel 0845 6055556 or email helpdesk@constructingexcellence.org.uk
 - ▶ KPIZone – a website dedicated to KPIs www.kpizone.com and which provides details of the latest KPIs and information on benchmarking clubs.

Identifying the desired outcomes of each project at the outset

- To help ensure the objectives (key success factors) of your projects are actually achieved, it must be standard practice within your authority for them to be established for each project at the earliest opportunity.
- Project objectives represent the criteria by which you are going to judge the success of the project on completion, and should include the key success factors for your organisation as a whole (see 4.1 above).
- Ensure your procurement procedures require meetings of the Project Team to be held as early as possible in the process, to discuss project objectives. Make sure that you involve stakeholders and end-users in this process.

Produce specifications that relate to outcomes and/or outputs rather than inputs

- Set up a culture of specifying outcomes, rather than the detailed processes for achieving them. Make it standard practice to focus the attention of all concerned, including prospective bidders, on what is required from the project. This will leave them scope for innovation when determining how they can achieve your requirements.
- Establish procedures throughout your authority for providing contractors with incentives for reducing costs (e.g. through Value Engineering methodologies) while still maintaining quality. However, this will only be possible if it is your normal practice to appoint them as members of the design team at the outset.
- Have a look at the Construction Industry Council's "Design Quality Indicators" and their 'DQI Online' service www.dqi.org.uk that was launched in October 2003. DQIs provide an invaluable tool for setting your brief, evaluating proposals and undertaking post-occupancy evaluation.
- Consider the added value that will result from an investment in design quality. There is increasing empirical data showing how, for example, an investment in a well-designed school can increase the educational achievement of pupils. See 'The Value of Good Design' produced by CABI for more details www.cabi.org.uk
- Environmental requirements should be included in user needs and specification at the earliest stages of the procurement process. Here you will need to refer to the environmental policies and the Corporate Procurement Strategy of your authority.

Why do all this?

- To steadily get better, year on year, by doing things better today than you did yesterday;
- To aim to ensure that the needs of all clients and end users are fully met;
- To ensure that the best is obtained from your levels of capital expenditure and by the most efficient means;
- To help drive quality up while keeping costs down;
- To identify practices that do not add value to the final product and remove them from the process and, hence, 'fine tuning' your procedures for the future;
- Because year by year as you let more and more projects, you want to be sure, and be able to show others, that you are getting better at it!

Further information

Several useful publications regarding design are available on the CABE website www.cabe.org.uk including 'Creating Excellent Buildings: A Guide for Clients' that was published in 2003. Their web-based digital library provides a range of examples of high quality buildings and public spaces to help you decide the type of quality you are after from the final product.

The Environmental Key Performance Indicators produced by Constructing Excellence www.constructingexcellence.org.uk is a useful way of starting to measure the sustainability of your projects.

Establish a strategy
for each project
and communicate
this to all members
of the team

5



Establish a strategy for each project and communicate this to all members of the team

A successful project requires all parties to work together in genuine teamwork, and with the same degree of planning as any other important investment decision.

To achieve this you should establish a framework to steer all parties through to completion by:

- 5.1 Making sure enough time is spent defining what is required from each project and by when.
- 5.2 Establishing an integrated team at the outset that consists of the right people.
- 5.3 Appraising options that are available for delivering the project and confirming the business case accordingly.
- 5.4 Choosing the right procurement route and form of contract for your project.
- 5.5 Developing a Project Procurement Strategy or Project Execution Plan that brings all this together.
- 5.6 Briefing every member of the team properly.
- 5.7 Ensuring that the needs and aspirations of stakeholders and end users continue to be the main focus.

The following pages explain how to do this.

Making sure enough time is spent defining what is required from each project and by when

- Standard procedures within your authority should allow time for full consultation with clients, stakeholders and end users, for every project.
- Consultation must include clarifying the objectives of the project, when completion is required and the funds that are available;
- It should also include clarification of the client's and stakeholders priorities regarding time, cost, and quality.

**Allow time
to consult**



Establishing an integrated team at the outset that consists of the right people

- The design, planning and costing of a project need to be carried out by an integrated team consisting of the client, designers, stakeholders, main contractor, and key suppliers as well as tenants and end users where relevant.

See 'Building Success' produced by the Construction Products Association for case studies of where early involvement of manufacturers and suppliers has brought real benefit to construction projects. www.constprod.org.uk

- If any team members are to be selected from the private sector, appoint them using quality evaluation criteria and not just on the basis of lowest price.
- People appointed to the team must be suitably qualified, experienced and able to work well with other team members. So, when members are to be appointed from the private sector, make these part of your quality evaluation selection criteria.

The greatest benefits are obtained from using teams that have successfully worked with each other before. So, wherever possible, think about establishing long term agreements with team members (see section 2.5).

- Nominate a Project Sponsor to take responsibility for the client's role, and particularly to communicate with the Project Team. It will be necessary for the Project Sponsor to be vested with authority to take day-to-day executive decisions and should have direct access to the people making key decisions. Have a look at Appendix 6 within the Supporting Information for an outline of the Project Sponsor's role.
- Project Sponsors may need technical advice, so appoint a Client Advisor (either from in-house or external consultant) to support them until a decision is made to commit to the project.

Appraising options that are available for delivering the project and confirming the business case accordingly

- The preparation of business cases must be part of your council's culture.
- Your standard procedures should require Project Sponsors, in liaison with Client Advisers, to identify all practical options that will achieve the objectives of their projects.
- They should compare all costs, benefits and risks associated with each option on a common financial basis and against other relevant criteria. This may involve the commissioning of feasibility studies in respect of the most likely options;
- Make sure they address all issues throughout the life of the asset (see section 2 in Operational Issues);
- Give the team time to work out the optimum design solutions with end users.
- The 'preferred option' identified as a result of the above should be confirmed in a Business Case, which should:
 - include an outline programme that allows realistic periods for essential activities, including obtaining statutory consents, design, construction and commissioning; and
 - highlight the significant risks (which should be fully documented in a pre-commencement Risk Register) and how it is envisaged that they should be managed.
- The Business Case will be used to develop the Strategic Brief and ultimately the full Project Brief and should therefore be fully agreed with stakeholders and end users.
- The agreement of an Outline Business Case is a key stage in the procurement process and represents the point from which decisions will be made to commit the authority to significant expenditure. Consequently, your procedures should require formal approval to be sought for each Business Case (perhaps from the member and chief officer procurement champions) before schemes are progressed further.
- The Successful Delivery Toolkit maintained by the Office of Government Commerce www.ogc.gov.uk contains detailed guidance on how to produce a sound business case. Appendix 4 within the Supporting Information provides an extract from the Toolkit, the full version of which is available on CD.
- For further information look at:
 - ▶ 'Making the Right Choices - A Practical Guide to Project Appraisal' 1996 from the CIPFA www.cipfa.org.uk
 - ▶ 'Planning to Build? A Practical Introduction to the Construction Process' 1995 from CIRIA www.ciria.org.uk

Choosing the right procurement route and form of contract for your project

- Your authority should have a corporate policy as to which procurement routes are generally best for different types of projects.

There are various procurement routes available (e.g. traditional, design led; design and construct, management fee etc.), each supported by a standard form of contract, and each placing different demands, risks and responsibilities on everyone involved.

In particular, procurement methods vary in the experience and amount of input required of the client, the timings of financial commitment and cost certainty, the basis of calculating payments, and the allocation of risks.

It is important for all of the above issues to be considered within the corporate policy.

- The corporate policy should clarify the potential benefits offered by relatively new procurement routes such as partnering and the use to be made of non-adversarial forms of contract such as PPC2000 or the NEC family of standard forms.
- Within the context of corporate policies, standard procedures should still require the relative advantages and disadvantages of the preferred procurement route to be considered to confirm its suitability for individual projects.

- For detailed guidance on selecting procurement routes, have a look at:

- ▶ 'Choice of Procurement Route' Constructing Excellence Fact Sheet;
- ▶ 'Procurement and Contract Strategies' Procurement Guide No 6 within the Achieving Excellence in Construction: Procurement Guide from the OGC www.ogc.gov.uk

Developing a Project Procurement Strategy or Project Execution Plan that brings all this together

- Your standard procedures should require Project Execution Plans to be produced for all schemes that highlight the project objectives and the decisions that have been taken as to how they are going to be achieved. The Plans should include a timetable with dates for key events and gateways.
- Allow enough time within the Plan for carrying out all the functions required of the client, particularly in adhering to statutory obligations. Adequate time should also be allowed for candidates to respond to tender enquiries. Look at the table at Appendix 5 within the Supporting Information, which was contained within the Construction Industry Board's 'Constructing Success' in 1997.
- Your standard procedures should require the Plan to be monitored and kept under continuous review.
- The Plan is the means of communicating the expected outcome to all the people involved. It should describe the expected end result, not just of the procurement itself, but how the procurement combines with other activities to help achieve the authority's overall goals.

Brief every member of the team properly

- You naturally expect all members of the team to work efficiently together towards achieving a successful completion of your projects. However, for them to do this, it is vital that they are all properly briefed first.
- A major reason for the failure of projects, is the failure to communicate properly your requirements and the relevant constraints to members of the Team. Standard procedures should require Project Briefs to be prepared and arrangements should ensure that appropriate officers are fully trained in how to prepare them.
- Detailed guidance on how to produce briefs, including several useful checklists of the questions that need to be asked, is contained within 'Briefing the Team' that was produced by the Construction Industry Board (CIB) in 1997. Appendix 3 within the Supporting Documentation reproduces the Essentials of a Brief as described in the document. The CIB no longer exists, but their full range of guidance material is still available. www.thomas-telford.co.uk
- Although the Council's objectives must be as firm as possible at the point when the brief is finalised, it is almost inevitable that changing fashions will eventually modify your requirements. Therefore, flexibility in use should be a primary objective written into the brief. In particular, the opportunity for changes within the external envelope should be a priority requirement for large buildings such as schools, sports centres or office accommodation.

Ensure that the needs and aspirations of stakeholders and end users continue to be the main focus

- Maintain customer focus by involving all members of the supply chain and making sure they understand the needs of stakeholders and end users.
- Share plans and visions with all members of the supply chain and learn from each other;
- Be less confrontational and be proactive rather than reactive.
- More information:
 - ▶ Introduction to Supply Chain Management from CIPS
 - ▶ Strategic Supply chain Management: An implementation toolkit: from CIPS
 - ▶ The Seven Principles of Supply Chain Management 1997: from Cahners Business Information

Why do all this?

- Because choosing the system for procuring the skills and resources needed for design and construction is a key strategic decision which will set the framework for carrying out the project. You need to get this right!
- If you get it right from the start, you are much more likely to get it right throughout the project
- To help ensure all members of the team pull in the same direction and have a clear understanding of what is required.

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