

How to reduce your building and estate operating costs?

- *CE's asset management group lessons learnt*

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Introductions



John O'Brien



The CE vision

“Improving industry performance to produce a better built environment.”



**Construction
Clients' Group**
CONSTRUCTING EXCELLENCE

“Better together” – our vision of excellence for 2014 and beyond

The challenge

The built environment sector is increasingly being driven to do more for less, and to think globally and long-term, not just locally and short-term, about the solutions it offers. We face major challenges in delivery, for example in housebuilding, schools, low carbon refurbishment, water and rail programmes.

Informed, forward-thinking client organisations and their supply-side partners, are responding to economic, regulation, technology, sustainability and global factors. For example, they are:

- increasingly thinking internationally and long-term, about programmes not projects,
- demanding detailed data about assets and their performance,
- trialling new procurement regimes,
- building alliances with their delivery organisations,
- incentivising teams to deliver more efficiently, more predictably, with better outcomes.

The requirements of informed clients centre around:

- Efficiency – the ability to strip out all non-value-adding activities and process,
- Performance – the ability to measure value and to use data to drive performance improvement,
- Outcomes – the ability to define value and to organise around, and deliver outcomes,
- Predictability – the ability to control and mitigate risk.

The industry as currently organised will not be able to achieve exceptional performance as experienced by other industries. Current client-supplier relationships and supply chain business models create a barrier to achieving performance beyond best practice and the opportunity to secure perpetual efficiencies on their programmes and projects.



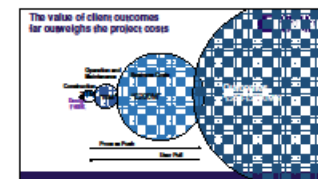
Increasingly it is inappropriate to talk of the 'construction industry' as though it is separate to the needs of investors, customers or end-users. Our buildings, infrastructure and landscape not only

need to be planned, designed and created, they also need to be appropriately financed and then managed to deliver value throughout their useful lives before being efficiently decommissioned or redeployed.

A 'burning platform'

The UK construction industry needs to make a step change in delivery. The economy has created a 'burning platform', a fundamental challenge to the way we do business and the future prosperity of our industry, and leading players need to respond radically. We need to move beyond incremental efficiency improvement and so-called best practice to achieve genuinely exceptional performance so that it figures among the world's leaders. These leaders will:

- have increasingly global, long-term business models,
- be data and knowledge-rich,
- be able to fund, deliver, operate and manage at higher levels of risk,
- be coordinated – not fragmented – and collaborative in their approach to innovation, and
- as a result, be rewarded for the value they create.



Reward by value will become the basis for getting paid. The business relationship between client and contractor will be revolutionised. Businesses will only survive if they can deliver client outcomes and create improved performance that allow the UK industry to thrive at home and to compete at a global level.

The industry needs to be remodelled to create the clear, predictable and sustainable long-term value that will be increasingly demanded by investors, customers and end users.

Agenda for today

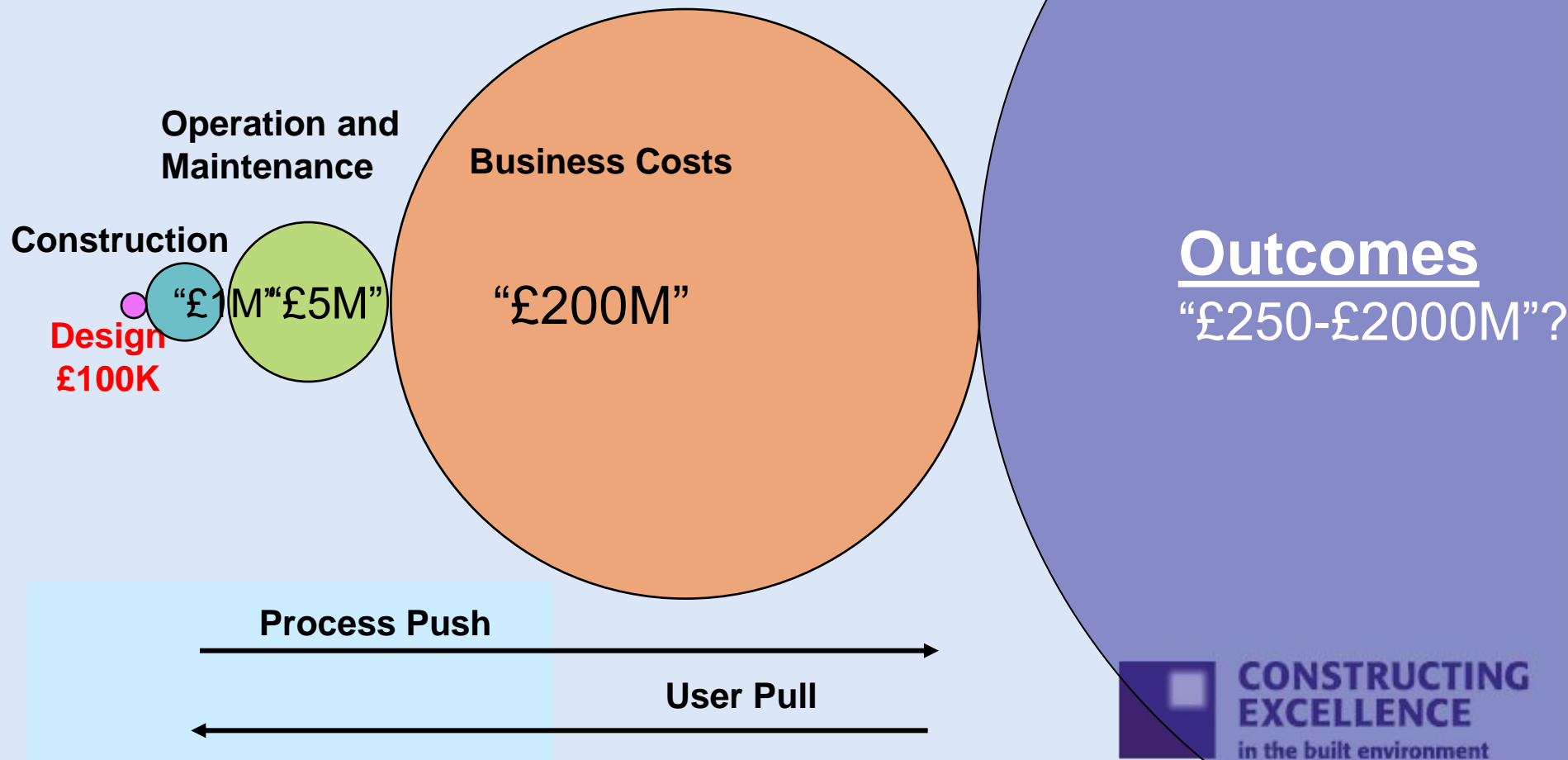
- So, why do we invest in buildings?
- The benefits of making them work harder
- How do we make your estates work harder?
- Summary
- Q&A



So, why do we invest in buildings?



Context – building related costs



The benefits of buildings work harder

- Improved asset performance – user satisfaction, space utilisation, resource efficiency
- Improved energy and sustainability performance
- Reduced capital investment, reduced operational cost = improved return on investment
- Improved productivity and outcomes



Context – the background to CE task group

- Clients recognise need to dramatically improve capability to better define, procure and assess 'performance in use'
- Performance gap in asset performance
- Structural disconnect – between procurers, constructors, operators and users



Context – the clients feedback



CabinetOffice

KING'S
College
LONDON



Environment
Agency



Royal Mail



Hampshire
County Council

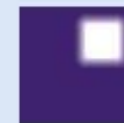
Colchester Hospital University **NHS**
NHS Foundation Trust



Transport for London



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in the built environment

The challenge – client feedback

- too many suppliers in the construction industry are currently paying lip service and servicing clients poorly
- clients need to play a stronger role to push their construction supply chains into delivering their required outcomes and performance
- to deliver successful project/asset performance, clients need to stay in control of time, understand project/operational risk profiles and have a knowledge and information strategy in place that allows them to get the data/info they need to effectively operate their assets



The challenge – client feedback

- there are real organisational and process difficulties in optimising capital and revenue spend to deliver optimum whole life cost for clients on their projects/assets
- there is an appetite to understand and influence the BIM, soft landings work of Government
- people know what project excellence looks and feels like but not yet operational excellence



Our response to the challenge

Sector	Who	Outcome
Operational excellence summit	FM and asset management group roundtable event with major built asset clients and HM Treasury FM team	Define how CE can support clients and its members to improve built asset outcomes and deliver operational excellence
Retail sector	Westfield HM Treasury	As above
Education sector	University of Reading Nottingham Trent University	As above
Health sector	Department of Health Integrated Health Projects	As above
Industrial sector	BAE Systems Royal Mail	As above
Plane, trains and automobiles - infrastructure sector	Crossrail Highways Agency BAA	As above
Commercial sector	Landsec Argent	As above

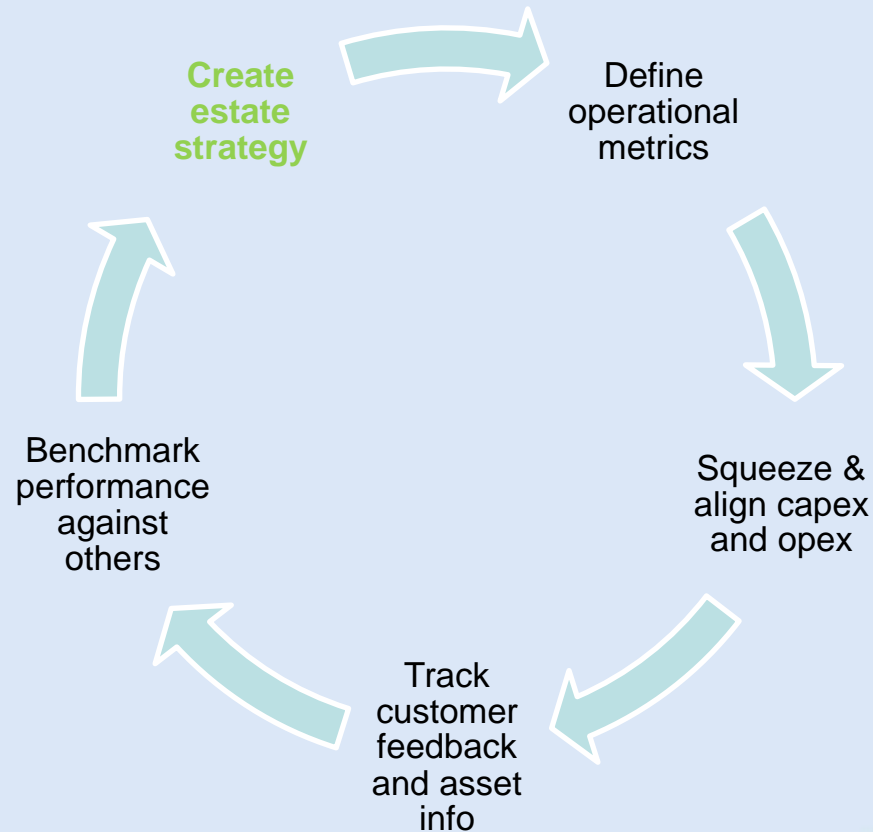


How to make estates work harder

- **Invest in an estates strategy** – articulate and agree with stakeholders how the operation of your estate will support the organisational aims, measure and track progress
- **Become an intelligence client** – resources and information
- **Future proof any capex** – users, flexibility and adaptability, alignment with all requirements
- **Simplify user interfaces, commission assets and train users**
- **Structure, manage and review your asset information**
- **Benchmark your operational performance against peers and your estates strategy**
- **Listen to your customers, ask for and act on feedback, build strong open relationships and communicate regularly**



Delivering harder working buildings



CE operational excellence model

Summary – the benefits

- Improved asset performance
- Improved energy and sustainability performance
- Improved return on investment
- Improved productivity and outcomes



Want further information?

Visit us on stand FD8 or contact me for further info

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Summary – how to make estates work harder

- Create an estates strategy - brief
- Involve users and supply chain - design
- Commission and soft landings – set to work
- Track operational data – review and benchmark performance
- Track asset info – maintain performance
- Listen to user feedback – improve performance
- And use learning on next investments – raise the bar

