

overview

**Rethinking
Construction
in local
government**

ten key issues and how to address them



**CONSTRUCTING
EXCELLENCE**



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Foreword

The 1998 report, 'Rethinking Construction', set the construction industry and its clients alike, many challenges. These challenges, and the potential rewards available, prompted many local authorities to take a more radical approach to their construction related procurement activity. The introduction in 2000 of the Best Value regime actively encouraged the consideration of quality and whole life costs, so giving local authorities the perfect opportunity for change.

The picture that is now emerging is that for those who are willing to enter into new ways of working, the potential benefits are significant. Analysis of the 400 schemes contained within our Demonstration Projects programme shows the real benefits that have been secured by those who have incorporated Rethinking Construction principles within their procurement processes. Overall capital cost improvements exceeding 8% have been secured by more efficient procurement and construction processes.

The Government's Public Sector Efficiency Review has set us fresh challenges. By achieving cost efficiencies in procurement processes, whilst simultaneously producing a better quality product, we are able to maximise expenditure on front line council services.

But it is not just about capital costs. Whilst undoubtedly important, we must also measure quality and whole-life costs, including maintenance, repair and ultimately decommissioning. Value added benefits such as improved safety, reduced defects, greater client satisfaction, and more timely completion, will also provide real benefits to the communities we serve.

In this context, the LGTF has produced this suite of documents to help authorities rise to the challenges they face. The documents describe how to address the issues involved and how your authority can achieve the full benefits of this new way of working. I commend them to you.



Tim Byles, Chairman, Local Government Task Force



Introduction

I am pleased to have had the opportunity to chair the group set up by the Local Government (Construction) Task Force (LGTF) to produce its second guide for Local Authorities and partner organisations.

Significant progress has been made in changing the historical adversarial relationships which characterise an industry focused on a claim and counter claim culture, rather than one which has user satisfaction as its prime objective. However, much remains to be done and the LGTF hopes that this guide will help promote further progress by organisations that have yet to take the first step towards procurement based on best value, rather than lowest price and those that wish to make further progress.

Following Byatt and the LGA/ODPM response, the National Procurement Strategy for Local Government launched last October identified that local authorities spend over £40bn a year providing essential services to millions of people. Capital construction works account for £11bn of that, and the

total construction spend is the second largest sector in local government. It is important that we all recognise the impact which efficient and effective procurement of goods, services and works have on service delivery. It is also vital that we carry out construction procurement in a manner that provides the optimum building solution to enable the delivery of high quality front line services to the public.

In recognition of this onerous and challenging responsibility, the LGTF has for a number of years provided guidance, advice and help to local authorities. It has now commissioned this guide to ensure that the experience gained so far is built on.

There is a wealth of evidence from demonstration and other projects that the adoption of Rethinking Construction principles has realised significant benefits for local authorities which in turn contribute to the business/service needs of front line service departments. However, Rethinking Construction has the potential to impact in areas

other than construction. The significant benefits achieved so far in moving away from traditional and frequently adversarial relationships can be applied to all forms of procurement and some authorities are already seeing the benefits of partnering with service providers in non-construction areas. Therefore, whilst this guide is construction focused, the principles apply equally to all forms of procurement

To be fully effective it is vital that construction procurement is operating within the framework of a Council's Corporate Procurement Strategy that identifies the actions to be taken to ensure delivery of the Council's Community Plan and corporate objectives. Partnering is recognised as the preferred procurement route, based on its undoubted success so far, and one of the key milestones contained in the National Procurement Strategy requires local authorities to define their approach to partnering in construction.

It is important that construction procurement is integrated into corporate processes, and that there

is adequate dissemination of good practice both internally across departments as well as externally between Councils and their partners. The Rethinking Construction Beacon theme for 2003/04 has ensured widespread dissemination and the development of Regional Centres of Procurement Excellence will provide further opportunities for integration of learning from construction professionals into other areas of service delivery.

Organisations consulted during drafting included the DTI, ODPM, LGA, IDeA and CABE as well as the Audit Commission, CIPFA, Construction Products Association, Specialist Engineering Contractors' Group, and the National Specialist Contractors Council. My thanks to all those who contributed comments.

Finally, I would like to record my thanks and appreciation to Ken Odgers, (ContractauditLine), the Author of this guide. Also, Iain Beaton and Noel Foley (Consultants); Nigel Curry (Constructing Excellence, North

West); John Plumb and David Bentley (IPF); Peter Bishop (LGTF); and Eric Fairclough (St. Helens Council) for their reading of and commenting on the several drafts

I wish you every success in all your procurement activities.



Mike Foy
Assistant Chief Executive,
St. Helens MBC.
Working Group Chair
and Board Member, LGTF



Circular 03/2003 explains how the messages of the Byatt Taskforce and the Government's Best Value Review should be built into each council's approach to Best Value.

"Each calls for innovative approaches to commissioning, procuring and providing services which genuinely challenge existing ways of doing things and enable service users, staff and management to feel engaged and involved throughout."

The Circular also covers councils' duty to promote race equality, as introduced by the Race Relations (Amendment) Act 2002 and the implications in terms of procurement.

Why this new pack?

In 2001, the Local Government Taskforce produced and distributed to local authorities their 'Rethinking Construction: an implementation guide for local authorities'. The purpose of this Guide was to convince authorities of the need to rethink their procurement processes and advise them of what they needed to do it.

Since the Guide was produced, several authorities have taken their first steps towards implementing Rethinking Construction principles, and it is thought that practical advice is now required on some specific issues. Further, the last three years has seen a rapid growth in the number of guidance documents that are available and it is felt that a 'road map' through such guidance would now be of help.

In addition, the profile of procurement within local government has been raised considerably by the publication of the National Procurement Strategy for Local Government by the ODPM in 2003 and, more recently, by the Government's Public Sector Efficiency Review.

In light of the above, the Local Government Task Force has updated the 2001 Guide by highlighting **ten key issues associated with implementing Rethinking Construction principles.**

Who is this for?

It is aimed at all those in local government who are involved with procuring projects, irrespective of the size of their authority. This includes elected members, senior executive managers and strategic directors, as well as operational directors and technical professionals.

What is it for?

To help authorities focus their minds on the key issues associated with implementing the principles of Rethinking Construction. It provides a step by step guide to addressing each of the issues involved, provides indicators of where further information can be obtained, and includes detailed practical guidance where necessary to supplement that available from other sources.

What is 'Constructing Excellence'?

Constructing Excellence is the successor body to Rethinking Construction and the DTI's Construction Best Practice Programme, which have now been combined into a single organisation. The remit of Constructing Excellence is to endorse best practice and continue encouraging organisations, both large and small, to implement Rethinking Construction principles through a network of best practice clubs, regional cluster groups and demonstration projects.

What is 'Rethinking Construction'?

The Rethinking Construction principles were launched following the report of the Construction Task Force, chaired by Sir John Egan, in 1998. Outputs from the 'Rethinking the Construction Client' National debate that took place in 2001 identified six guidelines which are restated below:

- 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.

Contents of the pack

There are three documents in this pack:

■ Five strategic issues

This focuses on the following strategic issues that need to be addressed to ensure structures are in place to facilitate implementation at operational level. This section should be read by senior officers and elected members, who are in a position to influence processes throughout the authority.

- 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.

■ Five operational issues

This document concerns the following operational issues and is aimed at those involved in administering individual projects.

- 1 Appoint members to the team using a quality based selection process.
- 2 Consider whole-life procurement by focusing on the long-term effectiveness of your buildings.
- 3 Share risks and rewards with all of the team and provide them with incentives for achieving/improving on the project objectives.
- 4 Encourage and use new technology where it has been demonstrated to be of potential benefit.
- 5 Learn from the experience.

■ Supporting information and example documents

This contains supplementary guidance material together with some example documents. It consists of appendices, which should be read in conjunction with the appropriate section of the above documents.

Summary of prime information sources

The following is a summary of the main toolkits and guidance packs that are available. After considering the ten key issues included in this pack, have a look at these websites for more detailed information.

Modern Procurement Practice in Local Government

IDeA www.idea.gov.uk

Respect for People Toolbox

Constructing Excellence

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

The Successful Delivery Toolkit

Office of Government Commerce www.ogc.gov.uk

All Construction Key Performance Indicators Pack

Constructing Excellence www.constructingexcellence.org.uk

Integration Toolkit

Strategic Forum for Construction www.strategicforum.org.uk

Rethinking Construction - Training Toolkit

Construction Industry Research and Information Association www.ciria.org.uk

The following websites are also useful sources of information:

Constructionline www.constructionline.co.uk

The UK's largest register of 12,000 pre-qualified construction contractors and consultants.

The 4ps www.4ps.gov.uk

Includes detailed guidance, procurement packs and case studies regarding PFI and partnerships.

Office of Government Commerce www.ogc.gov.uk

Achieving Excellence in Construction: Procurement Guidance Pack.

Office of the Deputy Prime Minister www.odpm.gov.uk

See the Taskforce Advisory Notes regarding PFI and Partnerships. Also details of the work of the Strategic Partnering Taskforce.

Improvement and Development Agency www.idea.gov.uk

Detailed guidance on a range of procurement issues. Includes the National e-Procurement Project's e-Procurement Toolkit. www.idea.gov.uk/procurement www.idea.gov.uk/marketplace www.idea.gov.uk/knowledge

Also, have a look at what the Rethinking Construction Beacon Councils are doing

www.idea.gov.uk/beacons/round4

Local Government Task Force www.constructingexcellence.org.uk/sectors/lgtf/publications

Numerous best practice guides.



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