Consider whole-life procurement by focusing on the long-term effectiveness of your buildings

2.1 Consider the whole life of your projects when making procurement decisions.

2.2 If your project involves the construction of an asset, think of costs for the lifetime of that asset, and not just the project or service.

2.3 Fully explore operational costs during the design stages of your projects.

2.4 Consider whole life procurement in association with strategic alliances and term partnering contracts.

2.5 Ensure all involved in whole-life procurement assessments are suitably qualified.

2.6 Maintain your own information database.

2.7 When developing budgets make allowances for designing/constructing the project/service with whole life procurement in mind.

The following pages explain how to do this.

2.1

Consider the whole life of your projects when making procurement decisions

- The introduction of the Prudential Code for Capital Finance in Local Authorities, (by virtue of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No. 3146) has relaxed constraints on capital investment programmes.
- Provided capital investment plans are affordable, prudent and sustainable, local authorities may now choose between revenue and capital intensive options for service delivery, undertake 'spend to save' capital schemes and additional self-funded capital investment where they can afford to do so.
- In the past, it could be argued that Government Regulations prohibited the increased investment in schemes that saved money over a period of time. Now there is no excuse for not making the consideration of the whole life of your projects part of your normal procurement processes. In fact, it could now be said to be a requirement.
- So make it standard procedure to consider the whole life of your projects during the option appraisal stage (see Strategic Issue 5.3). This should include consideration of the potential impact on corporate aims and objectives of a scheme throughout the life of a building e.g. environmental impact, area regeneration, job creation etc.
- Appendix 11 within the Supporting Information provides a brief outline of the key issues contained within the Code. Further details can be found in:
  - Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No. 3146) **www.legislation.hmso.gov.uk/stat.htm**
  - The Prudential Code for Capital Finance in Local Authorities 2003, including Interim Guidance Notes and Road Testing Manual **www.cipfa.org**

The Whole Life Cost Forum (WLCF) defines whole life cost as:

the systematic consideration of all relevant cashflows associated with the acquisition and ownership of an asset

2.2

If your project involves the construction of an asset, think of costs for the lifetime of that asset, and not just the project or service

- Recognise that buildings generally outlive other goods and services and therefore they must be flexible. Think of life beyond the service/project.
- Consider whole life procurement and costs associated with operating, changing, and extending buildings when needs for services change. Ask, how flexible is the design of the building to adapt to changes in use?
- Think about how the building is to be disposed of at the end of its life.
- What products and materials have been used during the construction process, and what is the opportunity for them to be recycled? Alternatively, to what extent are they biodegradable?
- How does this adhere to the Environmental Policies of your Council?
- Selling the asset to a third party would not necessarily release you from your obligations.

"Good design is essential for achieving value for money in construction. But this is not just about buildings being completed on time and within budget; it is also concerned with ensuring that the costs of operating buildings over their whole life are optimised and that those who use and work in public buildings gain real value from them."

Sir John Bourn KCB
Controller and Auditor General
National Audit Office

2.3

Fully explore operational costs during the design stages of your projects

- The typical costs of owning a building are in the ratio of 1 (for construction costs including design); 5 (maintenance); 200 (operating costs including costs of associated employees' wages over lifetime of building). A small extra investment in improving the design leading to a minor increase in staff efficiency can result in big savings on lifetime costs.
- Make energy efficiency a key component of the design criteria. Contact the Energy Efficiency Best Practice Programme which provides impartial advice on energy efficiency techniques and technologies **www.energy-efficiency.gov.uk**
- Ask how easy is the building going to be to maintain and repair? When do you expect to replace key components (e.g. windows, heating systems) and how much would it cost?
- Discuss your proposals with Asset Maintainers (Facilities Managers) and determine whether a portion of the relevant maintenance budget could be used to increase the capital spend and, hence, invest in securing a better whole life cost option.
- Focus the design process on desired outcomes not specified processes, and provide an opportunity to bidders to assist in the process. For example, rather than requesting bids for three 12-person lifts, ask for the best way to move 250 people per hour through a 48m vertical shaft, with 60m^2 space available per floor and a maximum waiting time of one minute.

2.4

Consider whole life procurement in association with strategic alliances and term partnering contracts

- Whole life procurement of your building cannot be considered in isolation, even by specialist advisers. Provide opportunities for the whole team to contribute to the design brief before it's too late to change it. This includes end users, client, consultant, contractor, funder, and suppliers.
- This process will be much easier if you have established integrated teams at the outset and have strategic partnering arrangements in place with contractors and technical advisers (see Strategic Issue 2.5).
- Ascertain the benefits that might accrue from a contract that passes responsibility for ongoing operation and maintenance of project/service to the contractor/partnership. Include incentives to the partner for reducing running costs (see section 1.7 earlier).

2.5

Ensure all involved in whole-life procurement assessments are suitably qualified

- Suitable training in whole-life procurement methodologies is necessary to fully understand the concept. This is particularly relevant within the design professions.
- Ensure relevant in-house staff are suitably trained by including whole life procurement within the issues to be considered as part of your skills audits (see Strategic Issue 3.2);
- Include whole life procurement as a quality criterion when selecting technical advisers.

2.6

Maintain your own information database

- The success of whole life procurement decisions depends significantly on the quality of the information examined during the decision making process.
- Make sure that sufficient information is available to inform the decision making process;
- Make sure it is complete and as up to date as possible;
- Maintain your own database of information to help determine what running, maintenance and remedial costs have been incurred in the past.
- If you have strategic partnering arrangements in place, ask your partners to suggest ways in which running costs could be reduced.

2.7

When developing budgets make allowances for designing/constructing the project/service with whole life procurement in mind

- Do not focus simply on minimising initial capital costs. Be ready and able to demonstrate and justify why whole life procurement makes sense and represents value for money;
- Integrate with the whole construction process. Continually think – buildability and maintenance.
- Ensure that budgets are produced not just for the initial capital cost, but also to highlight the impact on revenue budgets for the future.

Further information

Whole Life Cost Forum **www.wlcf.org.uk** to download training materials and further information on whole life costing as well as a link to a WLCF Online Comparator

Procurement Guide No.07 'Whole-life costing and cost management' contained within the Achieving Excellence in Construction: Procurement Guidance Pack from the OGC **www.ogc.gov.uk** to be considered in conjunction with 'Whole Life costing: A clients guide' from the Confederation of Construction Clients **www.clientsuccess.org.uk**

Fact Sheet on whole life costing from Constructing Excellence **www.constructingexcellence.org.uk**

'Whole life costing and lifecycle assessment for sustainable building design' BRE Digest 452.

'Twenty steps to encourage the use of whole life costing' from the Housing Forum.

Why do all this?

- To focus the design and construction process on long term cost effective solutions.
- To encourage innovation, and holistic approaches to projects and services, and the achievement of sustainable solutions.
- Help achieve best balance between initial capital and ongoing revenue costs.
- So end users will benefit from the lowest cost of ownership.