Achieving Excellence in Construction

Building on success

The future strategy for Achieving Excellence in Construction
Foreword 1
Introduction 2
Key findings from the last three years 3
Achievements 4
Case study: Highways Agency 6
Case study: Environment Agency 7
Case study: NHS Estates 8
Procurement strategies 10
Strategic targets 11
OGC support 12
The concept of Building on Success is key to the strategy – developed by the Office of Government Commerce – to take forward the Achieving Excellence in Construction initiative.

The original 1999 initiative was a success – principles were applied and targets were met. It was a response to the need, well recognised, for improvement in construction procurement.

Now it is time to move on.

Looking forward, our strategy is based on exemplars of best practice in public construction procurement. These projects have provided the standard of excellence to which others must now aspire.

I think we all owe a debt of gratitude to those government clients who have shown leadership, and to their industry partners for rising to the challenge.

Our aim with this new plan is to incorporate initiatives, and the recommendations and findings from diverse sources’ into one coherent strategy. The key feature is a focus on strategic targets to help departments build on the progress already made.

The Government is committed to providing substantial new resources to improve the infrastructure of the UK. That means that the procurement of construction in the public sector will be take on a renewed importance – on the political agenda and in the public eye. Added to this, our expectations as citizens are now more sophisticated than ever. We expect quality in our buildings. We expect them to be well designed and fit for purpose – safe, practical and cost effective.

That means we need to do everything we can – public and private sectors together – to ensure that maximum whole-life value for money is achieved. That is what this strategy is all about. My ministerial colleagues endorse it, I endorse it, and I commend it to your attention.

February 2003
The Achieving Excellence in Construction initiative

Achieving Excellence in Construction was launched in March 1999 to improve the performance of central government departments, their executive agencies and non-departmental public bodies (NDPBs) as clients of the construction industry. It put in place a strategy for sustained improvement in construction procurement performance and in the value for money achieved by government on construction projects, including those involving maintenance and refurbishment.

The Achieving Excellence initiative set out a route map with challenging targets for government performance under four headings – management, measurement, standardisation and integration. Targets included the use of partnering and development of long-term relationships, the reduction of financial and decision-making approval chains, improved skills development and empowerment, the adoption of performance measurement indicators and the use of tools such as value and risk management and whole life costing.

The key thrust of Achieving Excellence is the delivery of best value for money. This is not the lowest cost but the best balance of quality and whole life cost to meet the user requirement.

Achieving Excellence key areas

<table>
<thead>
<tr>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment and leadership</td>
</tr>
<tr>
<td>Empowerment and skilling</td>
</tr>
<tr>
<td>Consistent and skilled project management</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Key Performance Indicators</td>
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<tr>
<td>Post project implementation reviews</td>
</tr>
<tr>
<td>Client performance surveys</td>
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</tbody>
</table>

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<tr>
<th>Standardisation</th>
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<tbody>
<tr>
<td>Key standard practices on:</td>
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<tr>
<td>- Procurement decisions on total value for money</td>
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<tr>
<td>- Use of risk and value management</td>
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<tr>
<td>- Output/performance specifications</td>
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<tr>
<td>- Whole life costing</td>
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<tr>
<td>- Robust change control</td>
</tr>
<tr>
<td>Information Technology and standardised document handling</td>
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<table>
<thead>
<tr>
<th>Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teamwork and partnering</td>
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<td>Focus on design and build, PFI, design/build and maintain, prime contracting</td>
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‘Through the Achieving Excellence initiative, central government clients commit to maximise, by continuous improvement, the efficiency, effectiveness and value for money of their procurement of new works, maintenance and refurbishment.’

Key findings from the last three years

- For those departments that have signed up to Achieving Excellence, almost half of the targets have been met or exceeded, and a further quarter, are more than 90% met.
- Departments have overwhelmingly accepted the principles and benefits of the Achieving Excellence in Construction initiative and there is emerging evidence of real value for money gains being realised as a result.
- A solid foundation for even greater change and improvement has been laid, and there is a strong commitment to continue with the Achieving Excellence initiative.
- Departments have high level endorsement of their Implementation Plan. Senior management endorsement has had most impact where construction is a key part of the department’s business.
- The recommended project structure (described in Construction Procurement Guidance 1) has received widespread acceptance across Government.
- The Construction Procurement Guidance series is highly rated.
- Finance and internal audit departments have been given a better understanding of the concepts of best value and whole life costing.

The Foreign and Commonwealth Office is determined to embrace best practice and to pursue quality. The department was the recipient of the Royal Institute of British Architects (RIBA) ‘Client of the Year’ Award in 2000 and the Berlin Embassy, a PFI project, was one of seven projects shortlisted for RIBA’s 2001 Stirling Prize.
Achievements

The first three years

Achieving Excellence in Construction set challenging targets for government performance for each of the years 2000, 2001 and 2002. A comprehensive review, including face to face interviews with those organisations signed up to the initiative, has confirmed that significant progress has been made in adopting the principles of Achieving Excellence in Construction during its first three years. For many departments, agencies and NDPBs, responding to the initiative has required a huge programme of cultural change to their procurement routes, approaches to procurement and knowledge of best practice. Departments with high spend and/or frequent construction projects have embraced Achieving Excellence principles fully, as have those with a policy or guidance role. Although the level of implementation varies, some organisations have totally re-engineered their business processes to deal with the construction industry in a different way. Others have built into their policy advice and funding mechanisms methods for encouraging the adoption of best practice.

Of the ambitious targets set out in the Achieving Excellence action plans more than half have been met in full. In addition a further quarter are more than 90% complete. This is an excellent achievement given the scope and scale of the changes Achieving Excellence sought to put in place. The National Audit Office report Modernising Construction recognised the efforts made by these organisations and detailed their specific approaches. It is clear that the best in government have done more than most private sector clients to improve their performance as clients of the construction industry, and over a very ambitious timescale.

Improvements continue to be made, and there are opportunities to go even further. In particular there is a need to support those clients who are less experienced. These are often small organisations or those with limited or infrequent construction programmes. Collectively they represent a large volume of activity, with the potential to deliver significant further gains in value for money.

The long term nature of construction projects makes assessment and measurement of the whole life benefits of adopting Achieving Excellence principles difficult in the short term; however, it is clear that foundations have been laid for sustainable improvements. The need now is to establish a continuing programme to embed Achieving Excellence. The development of the OGC Construction Procurement guidance, updated to reflect current best practice and the requirements identified in the review, will form a key component of OGC’s strategy in embedding best practice principles.
The Confederation of Construction Clients’ Charter and KPIs were launched in September 2001. The use of Charter and core metrics by central government clients was endorsed in December 2001. Whilst departments have had only limited opportunity to make use of them during the review period, a number have already introduced their own construction KPIs.

### Management

<table>
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<tr>
<th>Management targets</th>
<th>Result</th>
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<tr>
<td>100% of departments to have fully empowered their Project Sponsors</td>
<td>100%</td>
</tr>
<tr>
<td>100% of annual training targets achieved</td>
<td>100%</td>
</tr>
<tr>
<td>100% of departments apply best practice project management</td>
<td>93%</td>
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**Land Registry’s project sponsors are fully delegated and operate in accordance with Procurement Guidance Note 1, which has been distributed to relevant staff around the country. In terms of introducing new project management techniques, team building, value engineering and risk management have all been found to be beneficial.**

### Measurement

**DEFRA** carry out post project reviews between six and twelve months after project completion to evaluate design, quality, timescale and cost. The review is carried out by external consultants and feedback is provided to the project team, project sponsors, contractors and other relevant parties. Investment appraisals are also checked after the building has been in operation for some time.

**DfES** use key performance indicators (KPIs) to measure both staff and contractor performance; these KPIs continue to be defined and revisited on a regular basis.

**Department of Health** use key performance indicators on the maintenance of their London properties and benchmark their FM performance against their providers’ other properties on an annual basis.

### Standardisation

**Court Service/Lord Chancellor’s Department** use an internal benchmarking system for measuring maintenance costs and space usage. Data including cost, quality and time is collected on new construction projects.

**Qinetiq** (formerly Defence Evaluation and Research Agency) uses the Procurement Guidance Notes to provide a standard approach to all its projects. A standard building design is being used and data from the first building helps to improve the design of subsequent buildings.

### Integration

In Building Down Barriers, **Defence Estates** and their prime contractors organised their project on the basis of ‘supply clusters’ centred around key aspects of the work such as mechanical and electrical services. The ‘clusters’ together made up a well established supply chain, integrated into the design process, which co-ordinated and project managed all their activities throughout the design and construction period. They have two types of prime contracts:

- capital works for large and complex projects with the contractor designing and constructing the building and maintaining it for at least three years to prove its through life cost predictions
- Five regional contracts where one prime contractor will deliver all property maintenance and capital works for all three armed services in a region. Regional contracts will run for seven years with an option to extend to ten.

Defence Estates estimates that where Prime Contracting is used they expect to achieve value for money improvements of 30% in the cost of construction and in their operational running costs by 2008.

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*The Confederation of Construction Clients’ Charter and KPIs were launched in September 2001. The use of Charter and core metrics by central government clients was endorsed in December 2001. Whilst departments have had only limited opportunity to make use of them during the review period, a number have already introduced their own construction KPIs.*
Background
The Environment Agency has statutory responsibilities and powers in relation to pollution control, water resources, flood defence, fisheries, recreation, conservation and navigation in England and Wales.

It has established the National Capital Programme Management Service (NCPMS) to deliver Flood Defence and other capital projects on a consistent basis across all Agency Regions. NCPMS work closely with the Agency’s Procurement Department in delivering the programme. Both functions have recruited a number of personnel with a view to developing construction procurement expertise.

Management
The Agency’s Engineering Procurement Strategy ‘Constructing a Better Environment’ was endorsed by their Director of Operations. This was based on Achieving Excellence principles.

NCPMS are responsible for delivering the programme working to the Flood Defence Client (the Project Sponsor). The client has responsibility for defining the programme.

Personnel within NCPMS and from the Flood Defence client generally have engineering backgrounds and initial recruitment is often from university. Clear career structures are in place and extensive training programmes have taken and are taking place, involving both engineering and commercial personnel. Capital Programme Management and Procurement personnel have qualifications accredited through the ICE or CIPS.

Risk Management processes, commended by professional institutes, are regularly updated and a risk management champion has been established. The Agency’s Sustainable Procurement Strategy has been independently commended and they have contributed significantly to the DEFRA initiative.

Measurement
Through the Engineering Procurement Strategy and the Framework agreements established to deliver this strategy, the Agency aspires to a 15% saving over five years. A Unit Cost Database is currently being developed to measure this. Prior to the establishment of the Contractor’s Framework, four Demonstration Projects were provided to M41.

Gateway Review principles and processes are applied and are being fully integrated into Agency management systems.

Standardisation
OGC Construction Procurement Guidance is incorporated as appropriate within Agency policy and guidance notes. Projects are life cycle costed.

Integration
Four Framework agreements – Construction Contractors, Consulting Engineers, Cost Consultants and Site Investigation Contractors – have now been established to help deliver the strategy. Integrated teams from the Agency and contractors and consultants are established to deliver the individual projects. Incentivisation arrangements are designed to give alignment of objectives. Construction contracts are dealt with on an open book basis. Work has started to identify second tier supply chains and to better integrate these into the process.
Highways Agency

Background
Highways Agency has a large construction programme. It has recently totally re-engineered its business processes to deal with the construction industry in a different way. It evaluates all tenders on the basis of quality and price, which allows it to give greater consideration to the quality of the final construction. This gives contractors the incentive to put forward innovative designs and cover longer term aspects, such as the whole life costs and environmental impact.

Management
Senior management have given Achieving Excellence their unequivocal support. The Chief Executive has signed up to the Action Plan, which has been endorsed by the Head of Procurement. The principles of Achieving Excellence are being promulgated throughout the organisation; the corporate procurement strategy, launched in November 2001, incorporates the principles of Achieving Excellence and is standard practice throughout the Agency.

On all projects carried out, regardless of discipline, the Agency has adopted the key client role approach and appoints an investment decision maker, project owner (SRO) and sponsor. Internal training courses for the sponsor role have been introduced and a programme agreed with the Civil Service College (CSC) to put the large number of Highways Agency sponsors through the formal course.

The Agency has adopted the Gateway process and is phasing it in on their projects over time.

Measurement
Highways Agency uses Key Performance Indicators (KPIs) and has introduced additional targets to monitor performance. It is committed to the Client’s Charter and will be adopting the Charter KPIs. A number of demonstration projects have been provided to M4i. The Agency takes part in the annual supplier satisfaction surveys and carries out its own annual supplier reviews to provide feedback.

Standardisation
Value and risk management techniques are used as standard practice on all projects. The Agency uses the Procurement Guidance extensively. A whole life cost approach is contained within the standards for road pavements and structures and the forms of procurement encourage best whole life value solutions for projects.

Approval chains tend to be project specific. The Secretary of State retains responsibility for safety of the road network and is required to be part of the approval process for safety related issues.

Integration
An integration team/partnering approach is encouraged by Highways Agency’s procurement strategy and is extended to the stakeholders on a project basis to ensure early involvement of the whole team. As a part of this process specialist designers are required to be on site, at least on a part time basis, to ensure timely resolution to design issues and enhance workflow.

Incentivisation for the supply chain is based around target costs; a pain/gain share formula is increasingly being used to encourage suppliers to be innovative and improve performance, and forms part of the new procurement strategy.
NHS Estates

Background

NHS Estates is an Executive Agency of the Department of Health. It is responsible for estates and facilities management policy and guidance for the NHS in England. This currently includes over 400 NHS Trusts who all have delegated responsibility. NHS Trusts are subject to performance management by the Department of Health.

Achieving Excellence was addressed by development of the NHS Capital Procurement Initiative NHS ProCure 21 by NHS Estates. This will enable the NHS to work in partnership with the private sector to achieve better value for money, to allow facilities to become operational more quickly and meet the public’s expectations for the NHS. NHS ProCure 21 comprises the following key elements:

- Partnering – the establishment of long term relationships with carefully selected supply chains
- NHS to be a Best Client – being a more expert and better informed client
- Design Quality – pursuing design excellence in healthcare facilities
- Benchmarking and Performance Management – to achieve continuous improvements in value for money

These four elements together comprise an integrated programme that aims to deliver better capital procurement in the NHS.

Management

The NHS uses the term Project Director instead of Project Sponsor; however, the principles are consistent with the OGC Construction Procurement Guidance. The Project Director takes the lead at an NHS Trust for all aspects of a construction project throughout its lifecycle, including business case preparation and submission, project briefing, design and construction of healthcare facilities, equipment procurement and operational commissioning (although some of these tasks may be delegated to others). The Project Director has fully delegated responsibility for delivery of a scheme but works closely with the client and other users within the NHS, other stakeholders and the Principal Supply Chain Partners and their supply chains.

NHS Estates have developed a competency matrix for Project Directors which has been used to establish the Diploma in Project Leadership courses in Lancaster, London and Portsmouth. There is an accreditation process being established to provide NHS trusts with access to a register of accredited Project Directors, who will be required to undertake Continuing Professional Development.
Measurement

NHS Estates have established a series of Key Performance Indicators to identify and measure the performance of NHS Clients and Suppliers. The objective is to enable the identification of lessons learned that need to be shared across the NHS, the PSCPs and their supply chains. The philosophy is to ensure that if there are problems the cause is identified and action is taken to resolve and improve future performance.

Post Project Evaluation has always been compulsory; however, as the implementation of NHS ProCure 21 progresses they will be seeking to establish a culture of continuous improvement and feedback in both NHS clients and the supply chains so that they can achieve continuous improvements in performance and lessons learned can be shared across the NHS, with other departments and throughout all of our supply chains.

NHS Estates are also developing a whole life cost model that will utilise information from completed schemes to inform and support the cost models used in the selection process for PSCPs for appointment to frameworks. The cost models completed by bidders will be used throughout each project procurement process as target costs will be continually evaluated as part of the continuing improvement regime. With so many schemes in operation, performance monitoring will become a dynamic feature, as returned data enables NHS to monitor project progress and to share lessons throughout the project cycle of a scheme.

Standardisation

Within NHS ProCure 21 a standardised approach to the procurement of healthcare facilities is being established. This process is based upon establishing long term relationships with carefully selected supply chains who have the capability to work with NHS clients from the earliest stages of a scheme through to delivery of completed healthcare facilities. This is coupled with Design Quality/Best Client/Benchmarking initiatives. The NHS is looking to work with its supply chains to investigate the benefits that can be achieved by standardisation of components, off site fabrication and modularisation.

To support the standardisation agenda, NHS have developed model output specifications for Facilities Management Services and a collaborative working toolkit, ‘Building on Partnering’ to support NHS Project Directors. Whilst this currently only includes information in respect of collaborative working, over time it will be developed to become the focal point for access to all information on best procurement practice including NHS ProCure 21.

Integration

The implementation of partnering under NHS ProCure 21 is based upon the selection and appointment of integrated supply chains including designers, contractors and materials suppliers. To be selected the supply chains must be able to demonstrate that they have the skills and capacity to meet and then to improve on NHS standards, these standards being based on the principle of procuring the best whole life value product.
Delivering a quality product and achieving the best relationship between the client and the supply chain is very largely dependant on the procurement route that is adopted. Achieving Excellence promotes the use of three primary procurement routes to which central government should limit their procurement strategies for the delivery of new construction and all refurbishment and maintenance contracts. These are:

- PFI
- Prime Contracting
- Design and Build.

Traditional, non-integrated strategies will only be used where it can be shown they offer best value for money.

**PFI Construction Performance**

“Most construction work under the Private Finance Initiative (PFI) is being delivered on time and at the cost expected by the public sector. Central government has generally obtained a much higher degree of price certainty and timely delivery of good quality built assets, compared to previous conventional government building projects”.

**Sir John Bourn, Head of the National Audit Office, reporting to Parliament on 5 February 2003.**

**PFI: Construction Performance**

Report by the Comptroller and Auditor General

HC 371 Session 2002-2003: 5 February 2003
ISBN: 0102920141
OGC has consulted widely and the strategy to build on and reinforce the progress already made by Achieving Excellence reflects recommendations and findings from many sources. In this way, the aim is to achieve integration and consistency of messages.

A key feature of the strategy is a focus on two strategic targets to ensure that further improvement in departments' construction procurement is achieved.

The first target concentrates on improving the successful delivery of construction projects; the second challenges departments to accelerate project progress at the critical procurement stage.

### Strategic targets

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<tr>
<th>Target description</th>
<th>Target date</th>
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<tr>
<td>1 70% (by volume) of construction projects at benefits evaluation stage (Gate 5) in the period 1 April 2003–31 March 2005 to be delivered: on time within budget to exceed consumer and stakeholder expectations with zero defects.</td>
<td>31 March 2005</td>
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<tr>
<td>For each key sector to reduce the average time period from start of procurement (Gate 2) to award of contract (Gate 3) by: 25% for construction projects taking over a year between Gates 2 and 3 15% for all other construction projects.</td>
<td>31 March 2005</td>
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Gateway Reviews

The Gateway process plays a key part in driving forward improvements in the management of large, complex or novel projects involving procurement and directly helps public sector organisations in the successful delivery of projects and programmes. It examines a project at critical stages in its lifecycle to provide assurance that it can progress successfully to the next stage.

Guidance

OGC is continuing to develop operational guidance and advice to support construction and property procurement and management. The guidance is fully aligned to the Achieving Excellence initiative and takes cognisance of lessons learned from Gateway Reviews. It covers areas such as risk management, whole life value for money and partnering.

Successful Delivery Skills

The Successful Delivery Skills programme is a benchmark framework of delivery skills supported by a development programme to enable departments to improve the competence of their commercial practitioners and others, to successfully deliver complex and major projects. (www.sds.ogc.gov.uk)

Successful Delivery Toolkit

The Successful Delivery Toolkit provides rapid access to OGC’s repository of proven good practice of managing projects. Visit the OGC Successful Delivery Toolkit online at: www.ogc.gov.uk/sdtoolkit

Procurement advice (consultancy)

In working with customers, OGC recognises that best practice guidance and training are not always sufficient. In many cases this information needs to be supplemented with support from consultants who can work directly with customers and advise, mentor or supplement in-house resource. OGC maintains a pool of experienced construction professionals with in-depth public sector experience and a broad spectrum of expertise in all aspects of project delivery.

Project sponsor support

OGC’s pool of expert project sponsors are available to support internal departmental staff in the procurement of property and construction projects. The service is particularly suited to smaller organisations and occasional clients with limited experience of major projects, and who may not have the project sponsor resource required.
Offices of the Cabinet Office and Office of the Deputy Prime Minister, 22–26 Whitehall
About OGC
OGC - the UK Office of Government Commerce - is an office of HM Treasury.

OGC Service Desk
OGC customers can contact the central OGC Service Desk about all aspects of OGC business. The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am–6pm Monday–Friday
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