



Intelligent Transport
Planning Solutions



The Government Construction Strategy – A new landscape for public procurement in the UK?

Last week the Cabinet Office published the Government's new Construction Strategy, a 40 page document which sets out the Government's aim to implement a "*profound change in the relationship between public authorities and the construction industry to ensure the Government consistently gets a good deal and the country gets the social and economic infrastructure it needs for the long term*". More importantly, it hopes that by implementing the Strategy, public sector procurement costs will be reduced by 20% by the end of this parliament.

Cutting procurement costs, increasing funds available for public spend

The Construction Strategy is the next step in the Government's proposed measures to reform the procurement of public sector construction and infrastructure projects. The Strategy sets out detailed measures which were alluded to in the Government's Plan for Growth (published alongside the 2011 Budget) and the Infrastructure Cost Review Implementation Plan (articles on both these Plans appeared in the special Budget edition of this newsletter). Given that 40% of the £110bn annual spend on the construction sector in the UK comes out of the public sector pocket, the Government is committed to cutting procurement costs rather than decreasing capital spending. At the same time, as part of the Infrastructure Cost Review Implementation Plan, the Government is also aiming to realise £2bn - £3bn per annum from reducing the costs of delivery of infrastructure projects and programmes.

To ensure consistency and co-ordination between implementation of the Strategy and of the construction aspects of the Infrastructure Cost Review Implementation Plan (as well as the Government's response to the James Review on education and the McNulty review on rail), a new Government Construction Board will be established, chaired by Paul Morrell (Chief Construction Adviser to the Government).

Collaboration

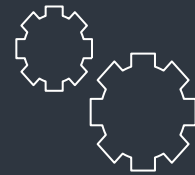
The key message running throughout the Strategy is that there needs to be more integration and collaboration between public authorities and the construction industry and that there should be an “*alignment of interest between those who design and construct a facility and those who subsequently occupy and manage it*”. In many ways, the themes running through the Strategy are not particularly new. For example, in the section outlining new procurement models, it is recommended that there should be early supply chain involvement, an integrated team, competitive tension, incentivised cost and programme efficiency, appropriate standardisation and the introduction of private finance. All these concepts are not dissimilar to the principles underpinning the Private Finance Initiative.

Objectives

In addition to encouraging a more collaborative approach between the public sector and the construction industry, the Strategy includes a number of other important objectives:

- A rolling two year forward programme of infrastructure and construction projects where public funding has been agreed with will be published quarterly by the Cabinet Office to enable the industry to plan for future investment in skills, products and services
- Improving core client skills in conjunction with the Major Projects Authority
- Establish cost benchmarking of publically funded projects to provide consistency of value for money across each programme. This will be undertaken at an early stage in the procurement process so that there is certainty as to what the price should be early on.
- Greater use of un-amended standard form contracts and exploration with the industry of integrated project insurance; and
- Encouraging the use throughout the supply chain of Building Information Modelling (BIM).

The objectives are accompanied by the Summary Action Plan which sets out specific actions and measures to be taken, along with timeframes within which the Strategy will be implemented over the next couple of years.



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Less talking more action

The Government is committed to putting the UK on a path to sustainable, long-term economic growth and has identified that a successful construction industry is vital to achieving its plans. The Plan for Growth highlighted a number of barriers to growth in the industry but committed to reform the way in which it procures public sector construction and infrastructure projects. The Strategy is the Government's action plan which promises radical reforms to enable growth and sustainability in the construction industry.

Industry responses have so far been supportive of the strategy, with Dr Neil Bentley, CBI Deputy Director-General, commenting that "*The strategy is a positive step forward, recognising the important role that construction plays in the UK in terms of jobs and economic growth*", and RICS Chief Economist Simon Rubinsohn commenting that, "*The new Construction Strategy represents and excellent opportunity for the Government and the industry to work together to ensure value for money across public construction and infrastructure projects.*"

Now is a time for less talking and more action. Over the last couple of years the Government has announced significant cuts in capital spending on public sector projects and infrastructure which has had a serious impact on the construction sector. In addition, figures from the quarterly national insolvency statistics (first quarter of 2011) show that insolvencies in the construction sector are on the increase (when compared with figures for the last quarter of 2010). With the framework for action in place, as per the Strategy, the Government now needs to act fast to begin to implement the strategy and put its money where its mouth is.

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