

# TaskForce

New Year 2005 Issue 1

Peter Bishop, Director of the LGTF, talks about the origins of Constructing Excellence and the broad objectives of the LGTF for the coming year



Director of  
the LGTF,  
Peter Bishop

## 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 EU 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.

## What is 'Constructing Excellence'?

Constructing Excellence is the successor body to Rethinking Construction and the DTI's Construction Best Practice Programme 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.

### SustainabilityZone launched

on the various aspects of economic, environmental & social sustainability.  
Home of the Sustainability Forum.  
W: [www.lgtf.org.uk](http://www.lgtf.org.uk)

## The Local Government Task Force

Helping local authorities deliver best value  
in construction

**As part of 'Constructing Excellence' the members of the LGTF care passionately about the people for whom they work, their local communities. They want to deliver to them the highest quality buildings, roads and landscapes at the lowest reasonable price. They believe that the best way of achieving these objectives is by using best value principles.**

The broad themes of the LGTF are to:

1. Encourage and assist local authorities to use integrated supply chains with the early engagement of suppliers, sub-contractors and manufacturers.
2. Engage and support district councils and those top-tier authorities not currently actively delivering Rethinking Construction projects.
3. Work closely with Regional Champions to assist authorities in the successful delivery of the construction strand savings of the Efficiency Review. See the recently published further guidance for local authorities, 'Delivering Efficiency in Local Services 2' which is available through [www.odpm.gov.uk](http://www.odpm.gov.uk) for the latest information.

# How to succeed in frameworking

If you are in the driving seat for the procurement of construction services and products, you may be considering a 'framework agreement'.

When you are procuring over a period of time, a framework can deliver many benefits, such as:

- reduced transaction costs;
- continuous improvement within long-term relationships;
- better value and greater community wealth;
- solutions that delight customers.

Frameworking should be viewed as a long term relationship with the community whereby you are working together to deliver sustained ongoing improvement. It is about applying the principles of Rethinking Construction to reach the achievable target of 10% improvement in productivity each year. It's not just about procurement through quality based selection (QBS). Think of QBS as the enabler to build local capacity that can meet the authority's needs.

## Sustainable local supply chain

From the client's viewpoint, a framework is essentially a means of procuring products and services over a period of time (up to four years now) for a number of projects or schemes. But the implications for the local supply chain can be adverse if local suppliers are excluded in favour of larger companies with little interest in local firms. This is a genuine concern of many contracting authorities and the SME community.

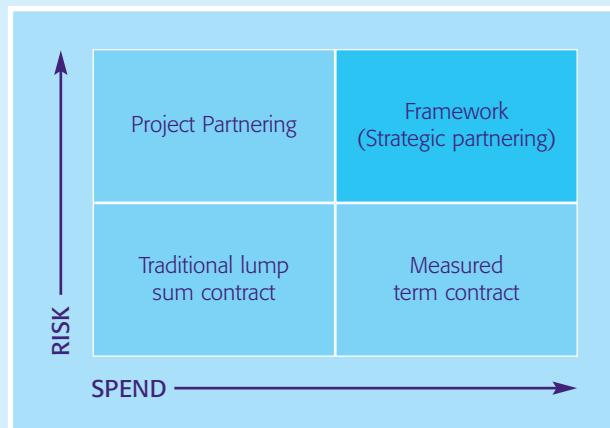
The process, which Constructing Excellence has mapped, promotes sustainable markets local to the contracting authority. This process is in accordance with OGC guidance and meets all other local government obligations.

## Frameworking toolkit

Constructing Excellence, in partnership with Manchester City Council and the Centre for Construction Innovation (CCI is the centre of Constructing Excellence in the North West), is developing a toolkit that maps the processes for:

- **Deciding** whether you need a framework;
- **Setting up** a framework;
- **Running** projects under the framework agreement(s).

The Frameworking Toolkit is under development at [www.ivsual.co.uk/ce](http://www.ivsual.co.uk/ce). Here you can see the evolving process map that will help you to decide, develop and run frameworks for the benefit of your community. Frameworks should be used when the contracting authority needs to develop a strategic relationship with the supply chain over a long period. These are the high-risk, high-spend construction programmes, often found in housing, education and highways. This matrix sets frameworking in the context of other procurement methods. Frameworks give you the



opportunity to communicate with all the stakeholders - clients and users, the framework service delivery team, council members, regulatory officers and the supply chain - on what the authority is doing and why. If you do this at the outset, the local industry can develop itself in a way to meet your needs. The toolkit gives examples of frameworks with single and multiple suppliers for consultancy and construction services.

The toolkit then guides you through the process of procurement, suggesting best practice methodologies for getting the supply chain you require to deliver the projects you need and when.

Finally, the toolkit helps with allocating projects, measuring success and implementing continuous improvement strategies to discover what succeeded, what went wrong, why and how to do it better next time.

All the contracts under the framework will be delivered using partnering, performance measurement and continuous improvement in order to get better value for money.

Another resource for developing the agreements and contracts is Perform 21, which is at [www.perform21.co.uk](http://www.perform21.co.uk) where you will find process maps, detailed guidance, case studies and presentations, tools and examples of how this can be done.

## It looks like all you need, but it's not!

Although you can learn the basics from the toolkit, it is unlikely that you will succeed without professional advice along the way. The toolkit directs you to the wealth of advice available through Constructing Excellence. We have a network of consultants, backed by extensive best practice knowledge, to ensure you make a success of frameworking.

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## emcbe launch

The launch of The East Midlands Centre for constructing the Built Environment (EMCBE) at Stapleford Park, Melton Mowbray was attended by 86 delegates from across the Region, comprising employers, clients, training providers, professions, trades federations and Trades Unions, universities and colleges, and government agencies.

The EMCBE is an important initiative for the Region's construction industry, and its origin lies in the 'Bridging the Gap' research and report as undertaken by Loughborough University in late 2002 and early 2003 to specifically examine the status of the Region's skills base.

That initial work recommended a much wider agenda of skills related issues needing to be addressed regionally but in the national context, with an effective response required which will be crucial to the successful delivery of the regional economic policy. It was concluded that this would best be achieved through a permanent Centre having dedicated full-time resources.

The Centre will be funded for the first three-year period by *emda*, and be based in the first instance at Loughborough University's 'Innovation Centre'.

The Centre will provide the strategic leadership for the interests of the Region's construction industry, become the focal point or conduit for its improvement, be the communications 'hub' for co-ordinating and

disseminating the enthusiastic work of existing sector related groups and organisations (of which there are some 300 across the Region) and generally become the regional 'champion' for improving the skills and performance - not least of the Region's 11,000 SME's and micro-businesses - and long term development of the sector.

The EMCBE will accommodate and embrace the work of the East Midlands Construction Forum (EMCF) and Constructing Excellence (CE), and integrate a new position of Innovation Director - co-sponsored by CE and Loughborough University - whose purpose will be to realise, in partnership with the industry, the commercial benefits of work done by the Region's universities.

Key stakeholders in the Centre will be the CITB-Construction Skills, Learning and Skills Council, Regeneration East Midlands and East Midlands Regional Assembly.

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## The costs of bidding - does this add value?

Recent research with the University of Reading on the cost of tendering in the construction industry revealed some dramatic findings:

- Average time spent by **small to medium-sized contractors** on each bid is 100 hours which has an internal cost of £10,000;
- Average time spent by **medium to large-sized contractors** on each bid is 547 hours which has an internal cost of £23,000;
- Average time spent by **small to medium-sized consultants** on each bid is 40 hours which has an internal cost of £4,000;
- Average time spent by **medium to large-sized consultants** on each bid is 136 hours which has an internal cost of £11,000.

However, when you factor in win rates it becomes extremely worrying given:

- **Small to medium-sized contractors'** average win rates are 1:8 so the total internal cost to win a project equals £80,000;
- **Medium to large-sized contractors'** average win rates are 1:5 so the total internal cost to win a project equals £115,000;
- **Small to medium-sized consultants'** average win rates are 1:6 so the total internal cost to win a project equals £24,000;
- **Medium to large-sized consultants'** average win rates are 1:5 so the total internal cost to win a project equals £55,000.

Selection of which job to go for must now be the most important issue because we are finding that firms are bidding for work that they cannot win, thereby wasting time, resources and money.

The research also identified that the **single most important factor in winning a job is Bid Management**. Firms that project-managed their bids win more work and lose less. The article overleaf is a practical example of how using Re-thinking Construction principles benefits all parties involved in a wide ranging partnership.



# The Birmingham Construction Partnership

The Birmingham Construction Partnership (BCP) was established in April 2004.

The Partnership was created by Birmingham City Council in response to the Government's Modernisation Agenda for Construction - Rethinking Construction. BCP delivers all capital projects above £100,000 individual project value, with an estimated turnover of £350m-£500m over the 5-7 year life of the Partnership. Projects will include education, housing, leisure, culture, social care, and each contractor is required to deliver in all of these sectors at all values. The partners are Wates Group, Thomas Vale plc and GF Tomlinson - a range of contractors from national to regional. Each contractor now has a Birmingham office.

Significant partnership development work was undertaken with all 3 contractors in the 3 months prior to the commencement of the partnership, this involved numerous workshops and working groups to establish the key operating mechanisms. Fundamental operating mechanisms were specified in the partnership specification; however, significant flexibility was allowed to enable partners to bring best practice to the table. Contractors were encouraged to share their own best practice - some arguably commercially sensitive, however, all have shared without question. The investment in the development period was essential and the partnership is now benefiting.

The Partnership is structured so that each new project has an individual contract, using the NEC form. This forms the basis of the process map, which has been developed for project implementation. All costing is open book, allowing the City Council to view all cost down to the smallest supplier.

The contract is performance based, and contractors are measured on a wide range of KPIs both project based and strategic. After 18 months these will become the basis of future allocation of work to contractors.

The main challenges for the partnership over the first 12 months have been:

- Allocating work effectively to maximise the buying power of contractors;
- Demonstrating the benefits of partnering to clients;
- Changing the culture of design teams and contractor staff.

The challenges over the next 12 months will be:

- To demonstrate Value for Money;
- Develop the Supply Chain, forming partnerships with key suppliers.

To date approximately £85m of work has been allocated. Already the City Council is benefiting from improved delivery of projects demonstrated in KPIs measuring client satisfaction cost and time. Sir John Egan once said that partnering is not the easy option. This is reflected in Birmingham's experience - to make it work does require significant energy and perseverance by all partners on every project and at strategic level. However, when projects are delivered successfully this effort is certainly rewarded.

The investment in the development period was essential and the partnership is now benefiting.



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## Contact the LGTF

- to let us know your views;
- for information, support and resources on procurement issues;
- to change address details or nominate a colleague to receive this newsletter.

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Next LGTF Board meeting: 14 March 2005.  
See website for a synopsis of meetings.