

Is the Construction Playbook the answer to 'build back better'?



At the end of last year, the UK government set out ambitious plans to ensure the construction sector plays a key role in the UK's economic recovery. Our specialists Jonathan Stewart, Dave Corbin, James Garner and Nicola Herring delve deeper into the Construction Playbook to see if it can transform public sector and deliver on the ambition to 'build back better'.

In many ways, the government's Construction Playbook couldn't have come at a better time. This mandate to create better ways of delivering and procuring on public projects arrives when, due to the pandemic, businesses are already in change and adaptation mode.

Challenging economic conditions are accelerating change and innovation – and the search for more efficiency. But implementation is everything.

Under the banner of 'better, faster, greener' the Playbook is a collaboration between the public and private sector to address areas that impact productivity, costs, and delivery on public projects. It wants to make procurement and construction more efficient.

It builds on decades of initiatives such as the Latham Report, Egan report, Construction Strategy 2025 and Farmer Review to promote better working and make the industry more relevant for the new generation. Its key focus is to make procurement and construction more efficient and create a more sustainable construction sector that is also relevant for the next generation.

The Playbook is backed by the Cabinet Office which gives it some bite. It sets out requirements for central government agencies and arm's length bodies covering how projects are approached, procured and delivered. It also sets out how the success of each project is measured. The construction industry does great work, but it is an acknowledgement that it could improve and, simply put, get projects right from the start.

Better use of technology to deliver efficiency is arguably one of the biggest mandates. For example, elements of procurement are still done the same way they were 20-30 years ago, and yet the technology is there to help streamline that process.

There have been 14 key policies identified in the Playbook and tenders, and funding applications will be considered against them.

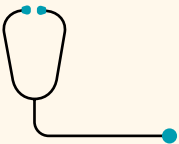
Key policies: the why and what?



01 Commercial pipelines

Productivity on projects can be affected if a public sector client can't share pipeline information as it makes it difficult for suppliers to plan and pull together resources. This policy aims to address that.

For example, if a client with a national estate and significant pipeline of projects is able to provide an indication of where projects will be, when they are needed and who the work is going to be allocated to - it greatly improves delivery and productivity. This mandates that appropriate pipeline information is shared to help delivery partners plan.



02 Market health and capability assessments

Evaluating market conditions early in the lifespan of a project is important in helping determine potential opportunities or limitations and where technology may help is.

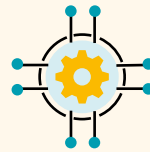
In undertaking early market evaluations, it is an opportunity for the private sector to advise on things such as using MMC (modern methods of construction). This will ensure that projects reflect the skills available and market capacity, using technology and innovation to increase efficiency and create healthier markets.



03 Portfolios and longer-term contracting

Creating a more sustainable construction industry is critical, and this is an important shift because it encourages longer-term public/private relationships.

Longer contracts bring certainty, which allows for continuous improvement in process and delivery. It means outcome-based, value-led procurement which can focus on delivering benefits rather than on costs.



04 Harmonise, digitise & rationalise demand

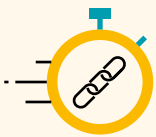
Construction is fragmented and often bloated with process. Every project seems to start over from scratch; for example, the information in tenders is often repeated from project to project. So, there is room to rationalise the approach, eliminate repetition and streamline. The technology is there and improving all the time – the Playbook is telling us to use it.



05 Further, embed digital technologies

BIM, the exchange and security of information and data for a project, has been slowly adopted but is itself a platform into which other digital technologies can be plugged.

Every project produces significant amounts of data which, if captured properly, can be analysed to improve the process. Improving the consistency and quality of data will enable improvement to sustainability, performance and value for money of projects.



06 Early supply chain involvement

Early supply chain involvement means better alignment of design and outcomes and anticipation of any potential problems. Working collaboratively with the supply chain, particularly specialists, will allow solutions to be found and implemented.

This has been on the agenda since the early 1990s and has been adopted on larger projects but needs to filter down to smaller projects, allowing the benefits of risk mitigation and reduced programmes to be more widely felt.



07 Outcome-based approach

This shifts the focus for both the public and private sector, so there are clear goals set for the outcomes of the project, including social value targets. Rather than prescribing a particular scope, the outcome is to be the focus enabling flexibility and innovation to achieve this, while considering whole life value, performance and cost.



08 Benchmarking and Should Cost Models

In the past, the problem with the public/private contracting has been the race to the bottom when it comes to pricing, which doesn't necessarily help develop best practices or encourage innovation. But this policy mandates data-driven benchmarking to better inform contracting decisions.

Should Cost Models are more of a grey area as there is little detail in the Playbook as to how these work and what they look like.



09 Delivery model assessment

To ensure best practice is being taken forward, this works with long-term contracting and benchmarking. It is another key shift in approach, looking first at the outcome and how best to achieve it before looking at the commercial strategy.

It should encourage more holistic thinking, collaboration and encourage learnings to be captured and taken forward onto subsequent projects.



10 Effective contracting

The Playbook is encouraging a longer-term view for procurement and contract strategies with standardised contract terms, relevant and proportionate KPI's and ensuring that roles and responsibilities and risk allocation are clear and appropriate. Clear expectations with a longer-term, outcome-based approach will help to reduce conflict allowing focus on innovation, collaboration and continuous improvement.



11 Risk allocation

There is a tendency for the financial risk of any project to get passed down the chain with the danger of it ending up with the contractor least able to deal with it. Addressing this means the risk is more appropriately allocated to where it is best dealt with. It encourages transparency, so there are no hidden surprises which has to be good for suppliers and aims to eliminate or mitigate risk early on wherever possible.



12 Payment mechanism & pricing approach

Ensuring costs are charged appropriately, and payments are timely would provide more certainty about cash flow. It then reduces the need for suppliers and contractors to price in risk. The solution could be using blockchain or a single project bank account.

Time and money are lost with the current system, so this could reduce costs and increase the speed of delivery.



13 Assessing the economic & financial standing of suppliers

The collapse of Carillion in 2018 sent shockwaves through both the public and private sector. By assessing the financial risk of contractors, and promoting prompt payment, this aims to safeguard projects but also create a more sustainable construction industry. But this has to be more than just reviewing posted accounts which are already out of date when published.



14 Resolution planning

Insolvency has a big impact on public projects which this aims to mitigate. By assessing the economic and financial standing of suppliers in a way that is tailored, proportionate, fair and transparent, it ensures that public investment is safeguarded but that the requirements are not a barrier to suppliers of smaller size.

Will the Playbook be effective in driving change?

It is important both the private and public sector have worked on the Playbook as collaboration is key to driving efficiency.

The private sector is naturally risk-averse and being a trailblazer is risky. Good ideas do get embraced, but it takes time with the majority of private sector organisations preferring to be more of a magpie, adopting proven innovations developed by others. The public sector plays a significant role in bringing innovation to the market whilst affordability is still an issue and demand has not yet been built.

Will the Playbook make a difference to the speed of change? Some government departments such as the Department for Education are already aligning their tender process with the Playbook. For example, the DfE now gives social value a weighting of 10% in the quality equation.

It is also benchmarking tenders against the second lowest cost price. If a tender is more than 10% lower than that it starts losing points. It's a real sign of recognition that a race to the bottom is not sustainable or beneficial in the long run and that out turn costs are a much better measure of financial success than lowest tender.

Whilst this is applicable to all government agencies and arm's length bodies it is not clear on how this will be enforced and it will most likely be the large projects which require Treasury funding which will have to demonstrate compliance with the policies. The imperative may not be there for smaller projects yet, but it will filter through.

The publication of the Playbook has reinforced our agenda looking at new ways to improve efficiency, making the most of the technology available to use to add value to the work we do.

Although the Playbook is a step in the right direction to building back better, it is and will be the implementation of better ways of delivering and procuring on public projects that counts.



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