

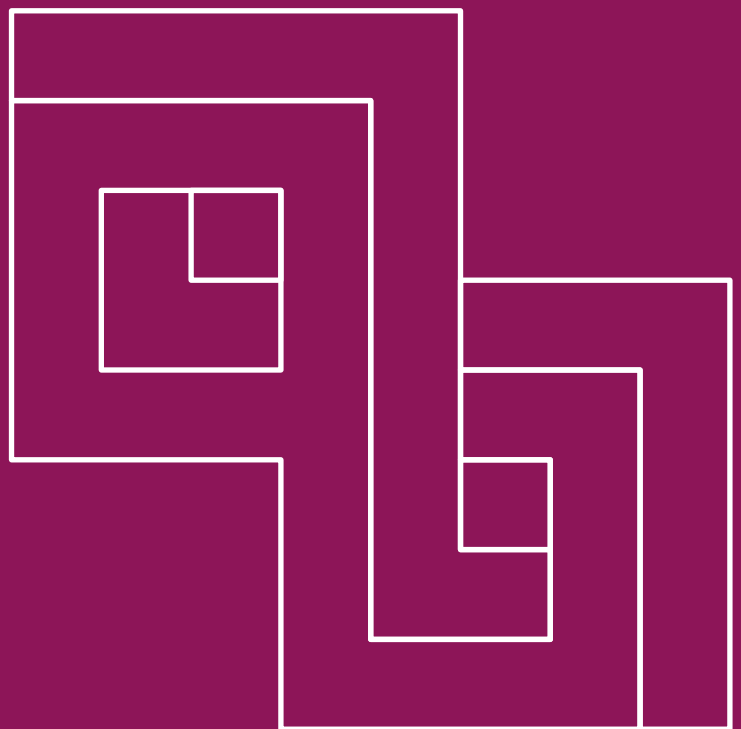


HM Government

THE CONSTRUCTION PLAYBOOK

Government Guidance

on sourcing and contracting public works
projects and programmes



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September 2022



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Foreword by Alex Chisholm



Delivering excellent public works is critical for the government to deliver the public services that we all rely on. Up to £31 billion of contracts across economic and social infrastructure will be brought to market over the next year, and to meet this ambition we need to develop our approach to delivery.

From building schools, hospitals and prisons, to major infrastructure and the wide range of construction, engineering and other works projects and programmes undertaken by the public sector, we are committed to delivering better, faster and greener solutions that support our recovery from the COVID-19 pandemic and build the economy of the future while improving building and workplace safety.

The construction sector is key to the UK economy. It contributed £117 billion to the UK economy in 2018 and supports over two million jobs. We will continue to strive for a world-class sector – improving productivity in construction safely, delivering skilled jobs across the country to level-up the economy and achieving net zero greenhouse gas emissions by 2050.

This vision will only be achieved by working together and setting out clear requirements to reform the industry. Government leadership is crucial and we need to align our efforts with the sector to ensure actions are consistent and reinforcing.

The update to the Construction Playbook is the result of extensive collaboration from across the public and private sectors to bring together expertise and best practices. It builds on the Infrastructure and Projects Agencies recently published flagship change programme ‘Roadmap to 2030’ and supports the government’s ambition to transform our infrastructure networks over the next decade and beyond so we can build back better, faster and greener.

I am grateful to all those who contributed and I am delighted to support the updated Construction Playbook.

A handwritten signature in black ink, appearing to read 'Alex Chisholm'.

Chief Operating Officer for the Civil Service and Permanent Secretary for the Cabinet Office

Introduction – Right at the start

The Construction Playbook is focused on getting projects and programmes right from the start. Whether the delivery or refurbishment of a school, hospital or major infrastructure project, the principles and policies in this Playbook will transform how we assess, procure and manage public works projects and programmes.

We need to think about projects and programmes in new ways. Transformational change will only be achieved by systematically approaching risk, sustainability and innovation across portfolios of projects and programmes. We need to harness the excellence which already exists and learn from this to drive progress and strengthen the health of the sector, including by addressing low levels of productivity and future skills shortages. It is in all of our interests to create a profitable, sustainable and resilient industry with a well-trained workforce for the future.

Successful project initiation can take more time at the start but this will be repaid many times over in delivery. To enable this, we need to bring together people from across different functions to create teams with the right expertise. This approach to ‘front end loading’ will improve the potential for successful outcomes – ‘to fail to plan is to plan to fail’.

By adopting the policies in this Playbook, we will:

- **Set clear and appropriate outcome-based specifications** that are designed with the input of industry to ensure we drive continuous improvement and innovation.
- **Favour longer term contracting across portfolios**, where it is appropriate. We will develop long-term plans for key asset types and programmes to drive greater value through public spending.
- **Standardise designs, components and interfaces** as much as is possible to improve quality, safety, performance and reduce environmental impact.
- **Drive innovation and Modern Methods of Construction**, through standardisation and aggregation of demand, increased client capability and setting clear requirements of suppliers.
- **Create sustainable, win-win contracting arrangements that incentivise better social, economic and environmental outcomes**, improve risk management and promote the general financial health of the sector.
- **Embed social value**, through improved quality, safety, performance and reduced environmental impact at the heart of programme delivery.

“ Whether the delivery of a school, hospital or major infrastructure project, the principles and policies in this Playbook will transform how we assess, procure and manage public works projects and programmes.”

- **Strengthen financial assessment of suppliers and prepare for the rare occasions when things go wrong**, with the introduction of resolution planning information requirements into critical contracts.
- **Increase the speed of end-to-end project and programme delivery** by investing up front with time and resources to set projects up for success.

The Playbook will, by creating the right environment, enable us to:

- **Improve building and workplace safety** to ensure that we are creating safe facilities, operating within safe environments and protecting our workforces.
- **Take strides towards our 2050 net zero commitment, using whole life carbon approaches** to reduce carbon emissions linked to buildings and infrastructure and within the construction supply chain.
- **Promote social value** which will help level-up local communities, tackle economic inequality, promote equal opportunities, enhance training, skills and employment opportunities and improve health and wellbeing.

Embedding the Construction Playbook into our ways of working has already begun, but this is a journey the whole of government will walk together to improve the way we deliver projects and programmes. The government has committed to a multi-year implementation programme to drive improvement on a ‘comply or explain’ basis recognising that there is no one-size-fits-all approach. The Playbook seeks to deliver the ambitions set out in the Transforming Infrastructure Performance Roadmap to 2030 and the Social Value Model and brings together best practice from across the public sector. It is one of the government’s key pillars in improving delivery alongside improving SRO capability, planning reform and taking action to address potential skills shortages and train the future workforce.

We need to drive industry reform through our buying actions, creating commercially viable and sustainable demand. This Playbook sets out what we will expect (and will contract for) from industry, including:

- continuous improvement in building and workplace safety, cost, speed and quality of delivery
- greater sharing of better data
- improved transparency of materials and labour
- investment in training the future workforce through upskilling and apprenticeships
- and adoption of the UK BIM Framework

To support this, suppliers should pass the principles and policies set out in this Playbook down through the supply chain.

This Playbook is a ‘compact’ between government and industry to set out how we will work together in future. Only by acting together and aligning our efforts can we achieve enduring reform – improving the public works we deliver, meeting the everyday needs of the people that use them and providing value for money for the taxpayer.

Gareth Rhys Williams – **Government Chief Commercial Officer**

Nick Smallwood – **Chief Executive, Infrastructure and Projects Authority**

Cross-cutting priorities

Health, safety and wellbeing

Health and safety is one of our highest priorities. Construction remains a hazardous industry, accounting for almost 30% of all fatal injuries to people in the workplace. Performance has improved over the past two decades, however, the levels of incidents and ill health remain high and improving delivery speed must not come at the expense of health and safety. In achieving this, we are focusing on:

- complying with legal requirements by embedding the principles of the Construction (Design and Management) Regulations 2015 (CDM) in all projects and programmes
- reducing the cases of occupational lung disease, musculoskeletal disorders and work-related mental ill health including stress
- supporting small businesses to achieve improved risk management and control

All contracting authorities should embed these priorities in their project and programme planning as part of a comprehensive approach to managing and improving occupational health and safety. The **Health and Safety Executive** (HSE) can provide further information.

Building safety

Following the Grenfell Tower tragedy, it became clear that reform to the building safety systems is crucial. It is important for buildings to be safe during construction and in operation, and that industry delivers safe and high-quality built assets for those who live and work in and around them.

Reforms through the **Building Safety Act 2022** will make sure that there is accountability for safety throughout the lifecycle of a building, and that risks are held and managed by the appropriate people. The aim is to deliver an effective and proportionate building safety regime, where risks are tackled swiftly but proportionately and excessive costs are avoided.

Projects need to be procured and contracts managed to make sure the right behaviours are embedded from the outset and that safety and quality is valued throughout. Meaningful and lasting change requires visible and collaborative leadership at each stage of the project. This is even more important at the handover between stages, with the seamless transfer of safety critical data and duty holder responsibility, together with a holistic view of risk and assurance.

The Department for Levelling Up, Housing and Communities (DLUHC) provides further information and guidance on building safety. If you are working on a project or a higher-risk building that is in scope for the building safety regulatory regime, alongside the Playbook please read DLUHC's **guidance on Collaborative Procurement for Design and Construction to Support Building Safety** to ensure compliance and commitment to higher safety and quality standards.

We strongly encourage compliance and implementation of the following building safety initiatives where applicable:

- **The Building a Safer Future Charter**
- **Code for Construction Product Information**
- **BSI standards on competence**
- **UK BIM Framework – ISO19650**
- **Assessing the external wall fire risk in multi-occupied residential buildings PAS 9980**

Build smart and sustainable

The government has legislated to ensure the UK must achieve net zero carbon by 2050. To achieve this, we need to use the collective buying power of the public sector to drive change in the delivery of public works – reducing greenhouse gas (GHG) emissions while endeavouring to achieve a balance of sustainable outcomes in social, economic and environmental terms.

All contracting authorities should set out strategies and plans for achieving net zero GHG emissions by or ahead of 2050 for their entire estate/infrastructure portfolio. These should be aligned under an overarching sustainability framework, and systems and processes should be in place to ensure their projects and programmes deliver on the targets set. Recognising the design life of public works, contracting authorities should adopt the most up-to-date whole life carbon assessments and methodology relevant to the type of project or programme. This helps to understand and minimise the GHG emissions footprint of projects and programmes throughout their lifecycle. Contracting authorities should seek to decarbonise supply chains. In line with PPN 06/21, suppliers bidding for major government contracts must detail their commitment to achieving net zero through the publication of a Carbon Reduction Plan.



Frameworks, contracts for construction and associated specifications should include measurable carbon reduction commitments, where relevant and proportionate.

Achieving net zero should be considered as part of a broader approach to achieving sustainable outcomes. Sustainability can consist of measures to reduce use of energy and or natural and manmade resources, to improve waste management, to improve employment and training opportunities, and otherwise to protect or improve the condition of the environment or the well being of people. Environment is defined as ‘all and any land, water and air within any natural or man-made structure above or below ground’. This supports the government’s presumption in favour of **sustainable development** and the commitment to deliver on the **UN Sustainable Development Goals** (UN SDGs).

Further guidance and practical resources on decarbonisation for procuring construction and infrastructure projects and programmes is available in the **Promoting Net Zero Carbon and Sustainability in Construction Guidance**.


Navigating the Construction Playbook



The Construction Playbook has been structured around the main stages of a typical procurement and project lifecycle:

- Preparation and planning
- Publication
- Selection
- Evaluation and award
- Contract implementation

There are 12 chapters each setting out best practice for specific topics with 14 key policies flowing through the Playbook. The key policies are the reforms or actions which will have the greatest impact in improving how we deliver public works projects and programmes.

The symbol for a key policy is a Playbook icon  and each time this appears it flags an important policy that practitioners should take note of. **Figure 1** shows where each chapter sits within the procurement lifecycle, how they align to the main project phases and where the key policies appear.

Compact with Industry

The Construction Playbook has been co-developed and endorsed by the Construction Leadership Council, wider industry and public sector

We, the signatories to this Industry Compact, confirm our support for the Construction Playbook. The Construction Leadership Council, wider industry and academia has participated fully in its development. Through the collaboration of the Construction Sector Deal, the sector has accelerated innovation. Now, with the launch of the Construction Playbook, we have the opportunities to create long-term relationships that will underpin our investments in people, communities, technology and capacity.

We recognise that the industry needs to change to become more productive and more predictable. To succeed, not only does there need to be a measurable improvement in project outcomes, but the market needs to change as well. The development of long-term, strategic collaborative relationships needs client support. With the public sector following this Playbook, we can do this faster and more effectively.

All parties will benefit from change. In this Playbook, the government and public sector sets out to reward industry partners for delivering improved value through faster, better, and greener delivery. This includes a more consistent and equitable approach to risk transfer and the promise of a fair return.

In response to these client-led initiatives, industry also has to change. We will need to develop new solutions including improved digital capabilities. We will need to work more collaboratively at all levels of the supply chain, and we will be asked to place more focus on social value, sustainability, and whole life asset performance. We fully support this partnership approach.

Changes on this scale will only take place if the whole industry works together. On the industry-side, we need to share the vision and consistently apply the principles across all members of the project team, from consultants and contractors to specialists and the building materials supply chain. The whole sector has an opportunity and a role.

The Construction Playbook supports our aims of improving the performance, profitability, and sustainability of the sector. Its publication is the start of a journey, and the approach set out will develop over time. We will all progress faster and will be better equipped if we work collaboratively to embed the approach of the Construction Playbook and deliver its implementation programme.

Alasdair Reisner
Chief Executive, Civil Engineering
Contractors Association

Alex Vaughan
CEO, Costain

Dr Ana Mijic
Director, Imperial College London
Centre for Systems Engineering
and Innovation

Andrew Davies
CEO, Kier

Andrew Reynolds
Global Chairman,
Rider Levett Bucknall

Andy Mitchell
CEO, Tideway

Dr Anne Kemp OBE
Chair, UK BIM Alliance

Brian Berry
Chief Executive,
Federation of Master Builders

Dale Evans
Chair, Project 13

Dave Smith
CEO, Osborne Group

Professor David Mosey
Director, King's College London
Centre of Construction Law

David Pinder
Chairman, Mixergy

Graham Watts
Chief Executive, Construction
Industry Council

Gregor Craig
President & CEO, Skanska UK

Haydon Bartlett-Tasker
Managing Director, Hack Partners

Jade Lewis
Chief Executive,
Sustainable Energy Association

Jaimie Johnston MBE
Director, Head of Global Systems,
Bryden Wood

John Newcomb
CEO, Builders Merchants
Federation

John O'Connor
Group Commercial Director,
Laing O'Rourke

John Slaughter
Director of Industry Affairs,
Home Builders Federation

John Wilkinson
Chief Operating Officer,
BAM UK & Ireland

Keith Waller
Programme Director,
Construction Innovation Hub

Leo Quinn
Group Chief Executive,
Balfour Beatty

Mark Beard
Chairman, Beard Construction

Mark Enzer OBE FREng
Strategic Advisor, Mott MacDonald

Mark Reynolds
Group Chairman and Chief
Executive, Mace and Construction
Leadership Council Co-Chair

Melanie Leech CBE
Chief Executive, British Property
Federation

Michael Graham
Executive Chairman, GRAHAM

Mike Chaldecott
Chief Executive Officer,
Saint Gobain UK and Ireland

Nick Baveystock
Director General & Secretary,
Institution of Civil Engineers

Nirmal Kotecha
Chair, Infrastructure Client Group
Management Board

Peter Anderson
Managing Director –
Transport Infrastructure, Amey

Peter Baker
Chief Inspector of Buildings,
Building Safety Regulator,
Health & Safety Executive

Peter Caplehorn
Chief Executive, Construction
Products Association

Peter Caplehorn
Chief Executive, Construction
Products Association

Phil Skegg
Managing Director,
Taylor Woodrow

Richard Beresford
Chief Executive Officer,
National Federation of Builders

Richard Robinson
CEO, UK & Europe, Atkins

Rob Lashford
Regional Director, Speller Metcalfe

Sarah Jardine
Chief Inspector of Construction,
Health & Safety Executive

Simon Gorski
Managing Director – Construction,
Europe, Lendlease

Simon Rawlinson
Partner, Arcadis

Stephen Beechey
Group Public Sector Director,
Wates

Stephen Marcos Jones
Chief Executive Officer,
Association for Consultancy and
Engineering

Steve Bratt
Group Chief Executive Officer,
Electrical Contractors' Association

Suzannah Nichol MBE
Chief Executive, Build UK

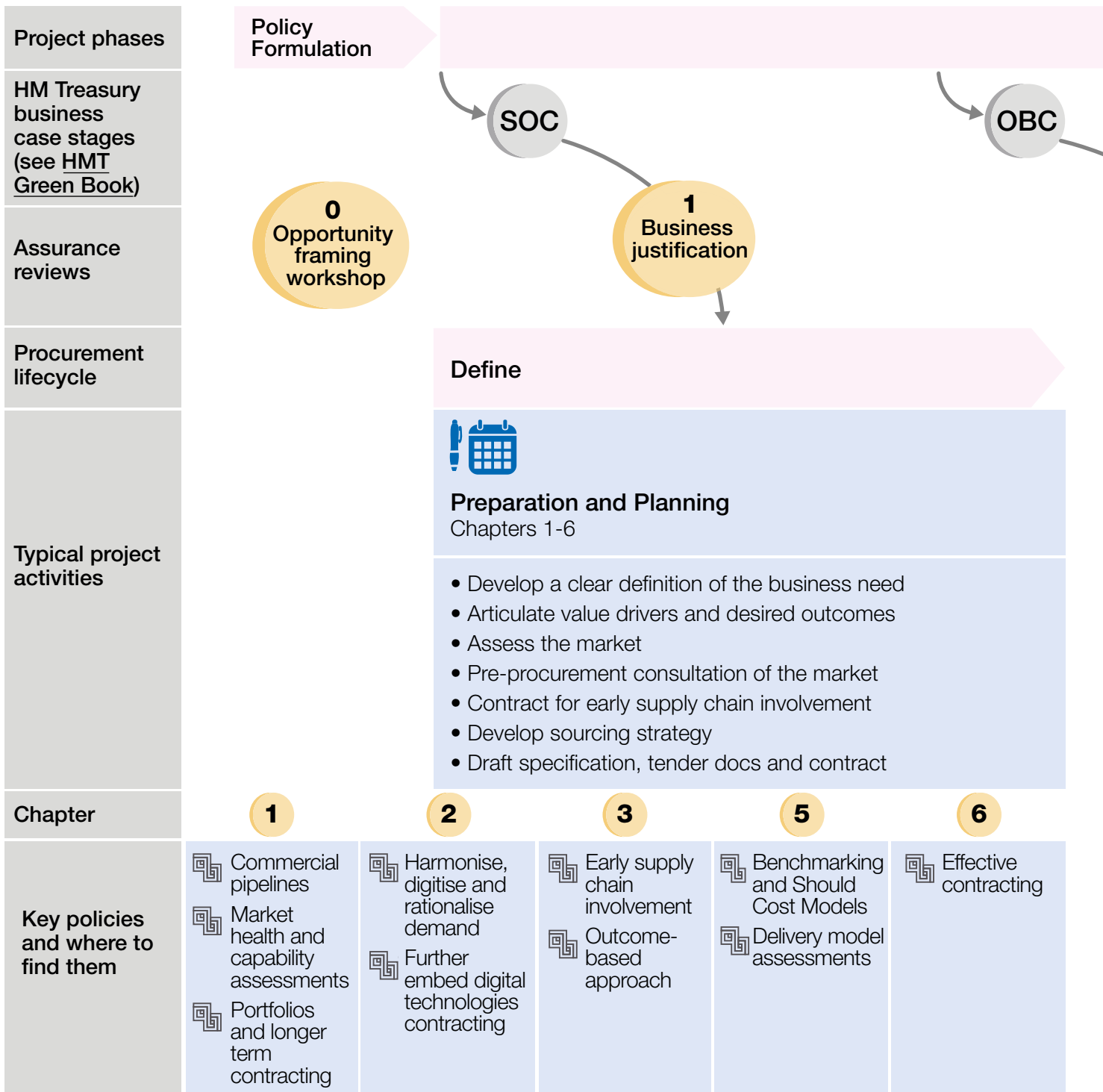
Tim Balcon
Chief Executive, Construction
Industry Training Board

Tim Bowen
Managing Director – Environmental
Services & Strategic Development,
Keltbray

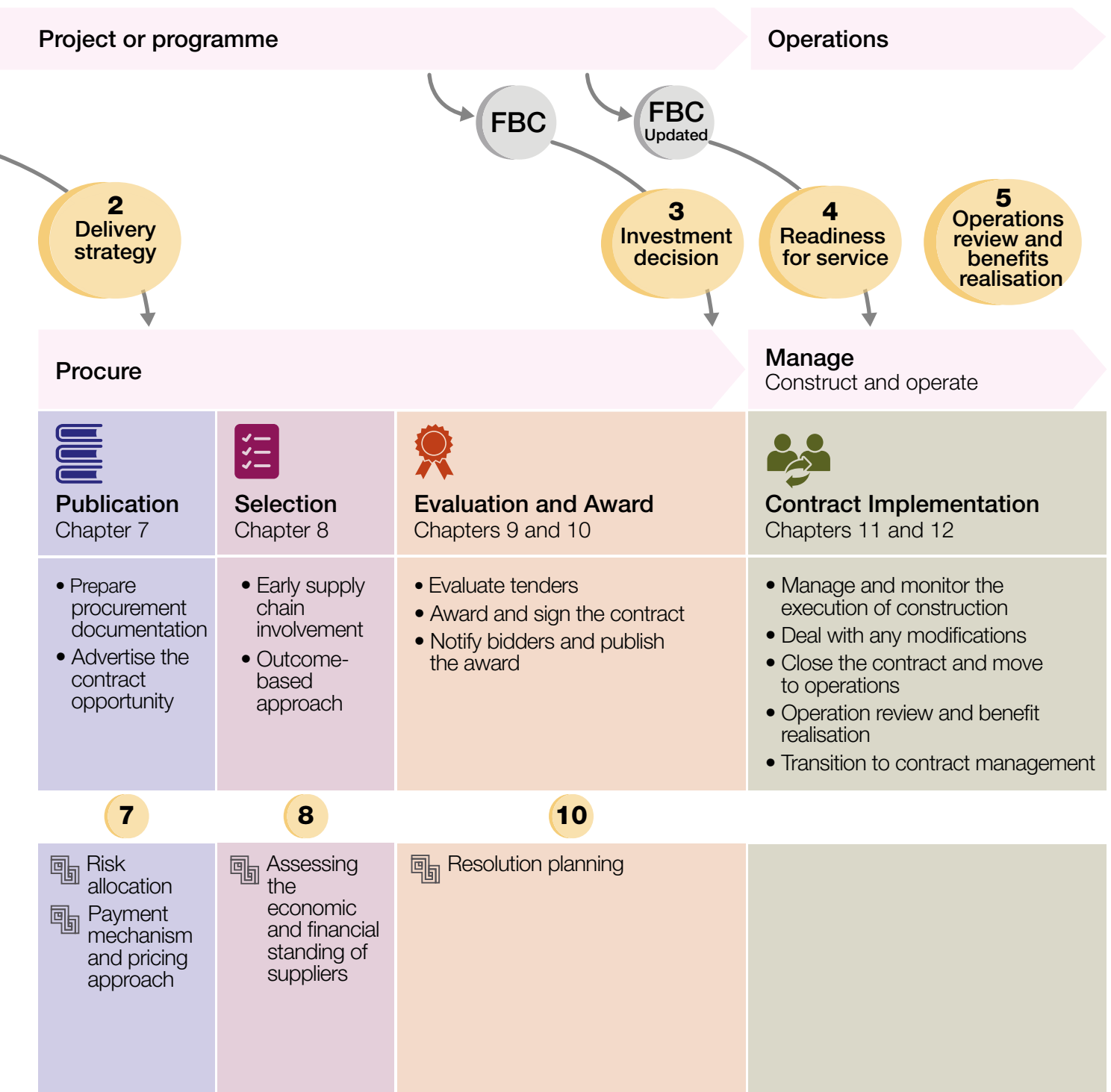
Vincent Clancy
Chief Executive Officer,
Turner & Townsend

Playbook flow diagram

Figure 1. Where this Playbook fits within a typical procurement process



The 14 key policies are cross-cutting.



They should be considered throughout the project and programme lifecycle.

Summary of the 14 key policies

The policies are mandated for central government departments and arm's length bodies (ALBs) on a 'comply or explain' basis and will be enforced through spending controls. See chapter 4 on People and Governance.

Driving better, faster, greener delivery



- The government is committed to delivering better, faster and greener solutions that will help to level-up local communities and build the economy of the future while improving building and workplace safety.
- Together, the 14 key policies bring together commercial best practices and reforms to drive better, faster, greener delivery through transforming delivery to a safer, more innovative, manufacturing-led approach which will increase the end-to-end speed of projects and programmes. This will provide greater transparency about what is constructed and how, centred around material and product origin and performance, carbon emissions, and sustainability.
- Each of the 12 chapters starts by clearly setting out how this Playbook and the specific content in the chapter will achieve this.

Commercial pipelines

Contracting authorities' commercial pipelines will be supported with a new central government procurement pipeline for public works projects.

Pipelines will help suppliers to better understand the government's long-term demand and prepare themselves to respond to contract opportunities.

Market health and capability assessments

Projects and programmes will conduct an assessment of the health and capability of the market early on during the preparation and planning stage.

This will enable project and programme teams to identify potential opportunities and limitations in the market, take advantage of emerging technologies and innovation, and consider what actions would increase competition and improve market health.

Portfolios and longer term contracting

We will develop long-term plans for key asset types and programmes to drive greater value through public spending and improve contract management. Longer term contracting across portfolios, where appropriate, will give industry the certainty required to invest in new technologies to deliver improved productivity and efficiency savings.

Contracting authorities should demonstrate that this does not come at the expense of an innovative and competitive market.

Harmonise, digitise and rationalise demand

Demand across individual projects and programmes will be harmonised and rationalised by contracting authorities, and processes associated with design, delivery and operation increasingly digitalised. This will accelerate the development and use of platform approaches and modern methods of construction.

Combined with longer term contracts and selection of the appropriate delivery models, this will transform the market's ability to plan, invest and deliver in a digitally enabled way, using technology to drive performance improvements.

Further embed digital technologies

Contracting authorities should use the UK BIM Framework to standardise the approach to generating and classifying data, data security and data exchange, and to support the adoption of the Information Management Framework and the creation of the National Digital Twin.

Early supply chain involvement

Engagement with the supply chain, including designers, contractors, specialist contractors and product suppliers, should inform the development of the business case for projects and programmes.

Involving the supply chain early in the project life-cycle will promote effective collaboration, reduce downstream issues and help to develop clear, outcome-focused designs and specifications.

Outcome-based approach

In their specifications, contracting authorities should focus on outcomes. The Project/ Programme Outcome Profile has been developed to support projects and programmes in setting clear outcomes that align with government's strategic priorities.

In line with the government's transparency agenda, the three most relevant key performance indicators (KPIs) from each of the government's most important contracts will be made publicly available.

Benchmarking and Should Cost Models

Projects and programmes should undertake benchmarking to analyse information from past projects and programmes. This provides decision makers with key insights and data to make more informed and intelligent investment decisions.

Projects and programmes should produce a Should Cost Model to better understand whole life costs, value, carbon and sustainability.



Delivery model assessments

Contracting authorities should follow an evidence-based process to decide the most appropriate delivery model and structure for a specific project or programme. The right delivery model enables clients and industry to work together to deliver the best possible outcomes.



Effective contracting

We will ensure that contracts are structured to support an exchange of data, drive collaboration, improve value and manage risk. They will set clear expectations for continuous improvement and be consistent with the principles in this Playbook.

We have published and endorse the 24 recommendations in 'Constructing the Gold Standard' which reviewed the landscape of current frameworks and proposed a new 'gold standard' for improving the economic, social and environmental value through frameworks, framework contracts and action plans under current frameworks. These recommendations are set out [here](#) and will enable contracting authorities to easily identify those frameworks which meet best practices and embody the principles and policies set out in this Playbook. There are a number of framework options to ensure competition and flexibility across government and the wider public sector.



Risk allocation

Proposals for risk allocation will be subject to consideration and scrutiny to ensure they have been informed by genuine and meaningful market engagement.

Inappropriate risk allocation has been a recurring concern of suppliers looking to do business with government and a more considered approach will make us a more attractive client, deliver better value for money and incentivise suppliers to focus on delivering agreed sustainability, social value and contractual outcomes.



Payment mechanism and pricing approach

The payment mechanism and pricing approach goes hand in hand with risk allocation and will similarly be subject to greater consideration and scrutiny to ensure it incentivises the desired behaviours or outcomes.

This change is fundamental to making the construction sector a thriving and dynamic market that is sustainable in the long term and achieves the wider vision of this Playbook.



Assessing the economic and financial standing of suppliers

As part of the selection process, public works projects will comply with a minimum standard when assessing the risk of a supplier going out of business during the life of a contract.

Consistently applying a minimum standard of testing will provide a better understanding of financial risk and leave us better able to safeguard the delivery of public works projects.

Resolution planning

There will now be a requirement for suppliers of critical public works contracts to provide resolution planning information.

Although major insolvencies are infrequent, this change will help to ensure government is prepared for any risk to the continuity of critical public works projects posed by the insolvency of critical suppliers.



① Pipelines, Portfolios and Longer Term Contracting

Getting it right starts by publishing commercial pipelines and identifying where we can create portfolios to drive investment in new technologies and sustainable solutions.

Driving better, faster, greener delivery



- Procurement pipelines enable a diverse selection of suppliers to prepare for upcoming opportunities and develop better, faster, greener ways of delivery.
- Effectively managing markets fosters innovation and new players who bring new improved ways of delivering projects and programmes.
- Longer term contracting will drive investment in technology and capability, including more manufacturing-led approaches, which will deliver safer, quicker and more sustainable solutions.

Commercial pipelines

One of the most important things we can do is to prepare, maintain and publish comprehensive pipelines of current and future government contracts and commercial activity.

Publishing commercial pipelines enables suppliers to understand the likely future demand across government. By sharing early insights on planned activities, we can expect to achieve wider participation and greater diversity in our supply chains including small

and medium-sized enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs), and support capability-building for the longer term.

Published commercial pipelines should look ahead three to five years to be truly effective.

Contracting authorities' individual commercial pipelines will be supported by the Infrastructure and Project Authority's published procurement pipeline for public works projects and programmes. This will supplement the existing National Infrastructure and Construction Pipeline and provide insight into a richer set of government priorities including the use of Modern Methods of Construction (MMC), regional distribution of contracting opportunities, how we are delivering social value, and achieving our net zero GHG emissions and sustainability commitments. If the work has been carried out before, consult with the current contract management team to embed their learnings and understand best practice.

“ Adopting a more manufacturing-led approach to public works projects and programmes will improve productivity and deliver better value for money.”

Market health and capability assessments

Healthy, competitive markets matter because they support our ability to achieve value for money for taxpayers.

Good market management is about looking beyond individual contracts and suppliers. It is about designing commercial strategies and contracts that promote healthy markets over the short, medium and long term.

All public works projects should include an assessment of the market early on during the preparation and planning stage. This should include a consideration of the available skills, capabilities and capacity of the market, and an assessment of barriers to entry and market concentration. Market capability assessments should include an evaluation of market capability to deliver contracting authority strategies and plans for decarbonising portfolios and estates. These assessments should then be used to:

- identify potential opportunities and limitations in the market
- take advantage of effective new technologies and innovation
- consider what actions would increase competition and improve market health, including strengthening skills and capability

Market health assessments for individual projects and programmes should form part of a wider ongoing market strategy. Contracting authorities can request access to supplementary market intelligence collected by commercial teams in the Cabinet Office and Crown Commercial Service (CCS). Advice can also be sought from the Competition and Markets Authority (CMA) in relation to more complex or substantial competition issues.

Portfolios and longer term contracting

Adopting a more manufacturing-led approach to public works projects and programmes will improve productivity and deliver better value for money. It will also enable a more consistent approach to delivering higher quality and sustainable assets, and enable the embedding of a whole life approach to carbon management from the design phase across the life of projects and portfolios.

We will standardise commonly repeatable elements of design and, where appropriate, use longer term contracts across portfolios. This will give industry the certainty required and make it commercially viable for suppliers to invest in innovative new technologies and MMC – increasing the speed of delivery.

The length and size of individual contracts should be designed for specific markets with suitable break points and clear contractual obligations to drive continuous improvement in safety, time, cost, quality, sustainability and carbon performance. For example, eight years of relatively certain work provided by a 4+4 contract (with an extension based on achieving an agreed level of performance) could deliver faster, better and greener delivery and improved outcomes when used appropriately.

Contracting authorities should review their pipelines to identify opportunities to bring work together into portfolios, rather than as a series of individual projects. For those that already do this, contracting authorities should look across the public sector to identify further opportunities to create portfolios at a product-level. This goes hand in hand with increasing the use of platform approaches, and standard designs, products and components (see chapter 2).

This approach is likely to be appropriate where any or all of the following is true:

- the programme has repeatable assets, is scalable across a programme, has sufficient volume in market terms and/or strong MMC potential
- there is a long-term pipeline of work (e.g. schools, hospitals, public sector decarbonisation programmes)
- there is an opportunity for innovation to drive better value (e.g. public sector decarbonisation)

Contracting authorities should demonstrate that this does not come at the expense of an innovative and competitive market, and ensure that demand is aggregated in a way that promotes SME opportunities and

allows SMEs to play a central role in the sector. The performance regime needs to contractualise continuous improvement to deliver ongoing value for money.

The Cabinet Office Sourcing Programme can provide advice on identifying whether a group of projects may be appropriate to bring together. Projects and programmes should engage early and extensively with the market when developing their approach.

Further guidance on when longer term contracts should and should not be considered is available in the **Longer Term Contracting Programmes, Projects and Portfolios in Construction Guidance Note**.

Role of industry and SMEs

Suppliers need to be prepared to respond to this approach to contracting. SMEs make a considerable contribution to the construction industry and have been central to much of the innovation and product development that has emerged in recent years. Although SMEs have a wealth of experience to contribute, they may not have the capacity to engage to the extent that larger suppliers can. It is important during the initial phase of the project or programme, that we acknowledge this and adjust what we ask of them accordingly.

It is also likely that we will see joint ventures and consortia involving SMEs, bringing together complementary skills and experience to undertake works. This should contribute to the overall health of the sector by helping to create an environment where smaller, newer and more innovative businesses thrive and are encouraged to work collaboratively.

SMEs in the supply chain

The government is committed to supporting SMEs through public procurement. Where SMEs are engaged through the supply chain, we expect prime contractors to follow the principles and policies set out in this Playbook and the **Supplier Code of Conduct**.

Contracting authorities should consider how they can evaluate this in practice and whether the use of a key performance indicator linked to feedback from the supply chain is appropriate (see chapter 6).

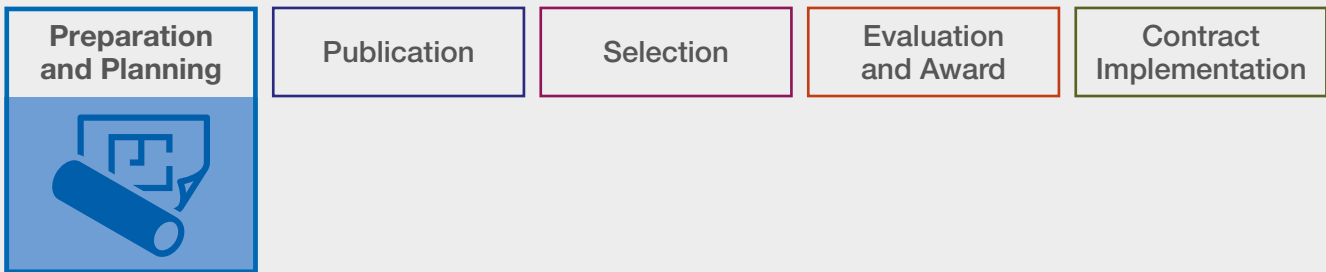
Key points

1. Publish commercial pipelines so suppliers understand likely future demand for services across government. Engage with the Infrastructure and Projects Authority to provide appropriate information.
2. Assess the health and capability of the market you will be dealing with for all projects and programmes regularly – consider how you can take advantage of innovative approaches, encourage new or potential market entrants, and take action to address any concerns.
3. Review future projects and programmes regularly (at least quarterly) to identify opportunities to bring appropriate work together into portfolios and leverage economies of scale to drive investment into new technologies and MMC.



Want to know more?

1. **GovS008 Commercial Functional Standard**.
2. **Market Management Guidance Note**. This was designed for public services, however it provides useful guidance for any market.
3. Supplier factsheets and market reports for common goods and services can be requested from **ci@crownccommercial.gov.uk**
4. Advice from the CMA can be sought via **advocacy@cma.gov.uk**
5. Advice from the Infrastructure and Projects Authority and Cabinet Office Sourcing Programme on portfolios and longer term contracting can be sought via **markets-sourcing-suppliers@cabinetoffice.gov.uk**
6. **National Infrastructure and Construction Procurement Pipeline 2020/21**.
7. Further guidance on when longer term contracts should and should not be considered is available in the **Longer Term Contracting Programmes, Projects and Portfolios in Construction Guidance**.



② Modern Methods of Construction

Aggregating and standardising our demand will promote the development and use of Modern Methods of Construction (MMC) to transform how we deliver public works projects.

Driving better, faster, greener delivery



- Shared requirements and standards will encourage investment into readily available interoperable components to drive faster delivery.
- Greater use of offsite manufacturing can deliver efficiencies and higher quality and safer solutions with lower GHG emissions quicker than traditional construction methods.
- Further embedding digital technologies including the UK BIM Framework and digital twins will improve the performance, sustainability and value for money of projects and programmes.

MMC is a wide term, covering a range of offsite and onsite techniques. Platform approaches and MMC provides alternatives to traditional methods and have the potential to deliver significant improvements in productivity, efficiency, safety and quality for both the construction industry and public sector.

We need to change the way we procure construction to support investment in MMC and skills. Adopting longer term contracting is one way of achieving this, but however we contract across our portfolios of public works, we need to actively consider how we can maximise the use of MMC.

Contracting authorities should develop a comprehensive strategy at an organisational level. This should run through their portfolios and down to individual projects and programmes. MMC is not an end in itself and contracting authorities should consider whether, how and to what extent the use of MMC can drive wider value and achieve the project or programme outcomes. Further information on the commercial and contractual elements required to deliver projects using MMC and best practice case studies are available in the **Modern Methods of Construction Guidance Note**.

“ Building on the presumption in favour of offsite construction, we are committed to creating a dynamic market for innovative technologies in the UK.”

Harmonise, digitise and rationalise demand

Contracting authorities should seek opportunities to collaborate in order to develop and adopt shared requirements and common standards. This should be done to enable standardised and interoperable components from a variety of suppliers to be used across a range of public works. This will create a more resilient pipeline and drive efficiencies, innovation and productivity in the sector.

Aggregating and standardising demand can have positive impacts throughout the project lifecycle, including:

- improved on-site safety and efficiency as a result of optimised and repeatable processes across shared solutions
- efficiencies in the design process, for example as a result of automation, the repeated use of designs and sharing of requirements and associated solutions
- buying efficiencies through improved category management and manufacturers leveraging consistency in the component pipeline
- using MMC to deliver lower embodied carbon solutions with reduced material requirements and decreased waste

- improved quality, greater predictability of performance and lower maintenance costs from the use of shared manufactured components and assemblies, and the associated opportunities to share methods

In practice, contracting authorities can achieve these benefits by:

- supporting the development and use of consistent structure, rules and language in standards and specifications to facilitate shared understanding and the use of digital and automated solutions
- digitising standards and specifications so that requirements are both human and machine readable. This will help to facilitate cross-referencing with other standards and process workflows
- sharing design content across portfolios and sectors using digital object libraries and common approaches to reducing differences

In setting standards and specifications, contracting authorities should consider sustainability and options that support the government's wider priorities, including achieving net zero by 2050 and the UK's commitment to the UN's Sustainable Development Goals.

Contracting authorities should incentivise the development of digital capabilities throughout the supply chain and other client organisations. This is not simply about contracting for specific capabilities but rather promoting integration and interoperability throughout the sector. **Further guidance** on a standardised approach to interoperability has been developed by the Centre for the Protection of National Infrastructure.

Quality planning

Manufacturing sectors have demonstrated that utilising a quality planning approach to the delivery of projects and business processes improves productivity and reduces both waste and error margins. Contracting authorities should include a requirement for suppliers to use quality planning processes as part of a specification. ISO 9001 specifies requirements for a quality management system that meets government requirements and applicable regulations.

Platform approaches

We will look to procure construction projects based on product platforms comprising of the kit of parts, production processes, knowledge, people and relationships required to deliver all or part of construction projects. These platforms would provide a stable core, configured and combined with complementary components via defined interfaces to suit a particular project, and would include the processes, tools and equipment required for assembly.

The Platform Rulebook, published by the Construction Innovation Hub, provides further detail on platform approaches and detailed definitions of related terms.

Contracting authorities should collaborate to find opportunities not only for their own platform solutions but also for ways in which cross-sector platform solutions can be applied, for example, by using platforms that enable interoperability of components across different sectors.

Future procurements and frameworks should support this with the development of a market and supply chain that can develop and deliver designs based on these platform approaches, manufacture and supply components, and innovate to improve and develop these over time.

Targets for MMC

Building on the presumption in favour of offsite construction, we are committed to creating a dynamic market for innovative technologies in the UK. The aim is to use the best approaches currently available to deliver projects, while developing approaches that enable the development and use of effective new technologies.

There is a new expectation for departments and ALBs to set targets for the level of use of MMC in the delivery of projects and programmes. The Department for Business, Energy and Industrial Strategy (BEIS) and Infrastructure and Projects Authority (IPA) are developing a common set of metrics to better understand construction performance across government and support organisations in improving delivery performance.

Ongoing engagement with the whole supply chain is essential to the development and implementation of a successful strategy for using MMC.

Further embed digital technologies

While the volume of data relating to UK construction is rapidly increasing, it is often fragmented or not easily accessible. Improving the consistency and quality of data will be transformational in how we can deliver projects and programmes by improving safety, enabling innovation, reducing costs, and supporting more sustainable outcomes.

Contracting authorities and suppliers should apply the UK Building Information Management (BIM) Framework. This includes standards, guidance and other resources that will deliver BIM interoperability and government soft landings (see chapter 12). These include standardised approaches to defining information requirements, generating and classifying data, information security and data exchange.

Information should be managed in an effective and secure way to support connectivity across government and industry. Adopting the UK BIM Framework will help to further these aims and support the Information Management Framework, a common framework of technical and non-technical standards and protocols that will enable secure, resilient data sharing across organisations and sectors. In turn, the Information Management Framework will be a key enabler of the National Digital Twin – an ecosystem of connected digital twins across the built environment.

Government, industry and academia developed and published the Gemini Principles that establish the common definitions and values that will make it easier to share data in the future and outline the evolving approach to information management in the sector. The Gemini Principles were proposed to guide the

development of the National Digital Twin and its enabling Information Management Framework. Further guidance on the National Digital Twin can be found at the Centre for Digital Build Britain and specific toolkits and further details on the Digital Twin Hub.

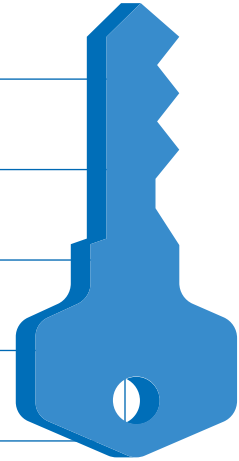
Digital twins are realistic digital representations of assets, processes and systems that have a data-connection with the real world. They will help to improve the performance, sustainability and value for money of projects and programmes by providing data-driven insights that improve decision-making.

Security

The **Centre for the Protection of National Infrastructure** has developed guidance on information interoperability to promote the secure exchange and use of data and information between parties. They have developed a standard interoperable approach, termed the Information Management Platform, that can be applied throughout the procurement and project lifecycle.

Key points

1. Develop an organisational strategy to aggregating and standardising demand, and driving the adoption of MMC.
2. Engage the supply chain to set realistic targets for the use of MMC, and ensure that they possess the capability to report on the required metrics.
3. Meet and contract for the standards set out by the UK Building Information Management (BIM) Framework.
4. Consider the use of product platforms comprising standardised and interoperable components and assemblies.



Want to know more?

1. **UK BIM Framework** sets out the overarching approach to implementing BIM and provides tools and resources.
2. The **Modern Methods of Construction Guidance Note** provides further information on the commercial and contractual elements required to deliver projects using MMC and best practice case studies.
3. The IPA can support contracting authorities in developing their strategic approaches to standardisation and platform approaches via governmentconstructionteam@ipa.gov.uk
4. Construction Innovation Hub **Platform Design Programme**.
5. The Department for Transport's **TIES** Living Lab aims to be a catalyst for driving even greater efficiency savings through three key themes – 'better use of data, measures, and metrics'; 'exploiting Modern Methods of Construction and digital technology'; and 'improving business processes'.
6. **The Platform Rulebook**.
7. **Supply Chain Sustainability**.
8. **The Gemini Principles** are foundational principles produced by the Centre for Digital Build Britain to support the National Digital Twin and the Information Management Framework that will enable it.
9. The **Digital Twin Hub** is a community of people who develop, own, connect and use digital twins. It is hosted by the Connected Places Catapult and it provides valuable tools and resources.
10. The CPNI has developed the **Information Management Platform**, a standardised approach to improve interoperability in and between projects.





③ Early Engagement and Clear Specifications

Engaging early with the supply chain and developing clear, appropriate outcome-based specifications are critical factors in achieving timely and cost-effective delivery.

Driving better, faster, greener delivery



- Clear outcome-based specifications will help to innovate, to provide cost effective solutions that deliver social value, net zero and improved sustainability and enable effective contract management through the life-cycle.
- Early supply chain involvement is key to reducing end-to-end programme timescales, identifying opportunity and mitigating risk early and accessing the industry experts' knowledge and experience in all tiers of the supply chain early in the project or programme lifecycle.
- Early engagement will help highlight the interdependencies of specialist supply chain members and allow them to be part of developing the solution to the right quality levels and increase safety collaboratively.

Early engagement

We aren't afraid to talk to the market, whether by engaging suppliers we have worked with in the past, or those looking to enter the market at all levels in the supply chain to enable them to positively inform improved design, delivery

and operational outcomes. We do it regularly – recognising the benefits to both contracting authorities and suppliers. It can help promote upcoming procurement opportunities, bring diverse views to the table and provide a forum to discuss delivery challenges and risks associated with the project.

Through this process we are able to understand the deliverability of our requirements, the feasibility of alternative options and whether there is appetite (within the market and government) to consider innovative solutions that could deliver better outcomes and improve safety. Early engagement is also an opportunity to test with the market the type of relationship you want to develop to deliver a project or programme and set clear expectations around behaviours and ways of working (see chapter 11) including the market's appetite to risk and the possible commercial approach (see chapter 7).

Good early market engagement is iterative and should involve all tiers of the supply chain including product manufacturers, SMEs, VCSEs and operators.

Projects and programmes should be tested at the first business case stage (Strategic Outline Case for departments and ALBs) to ensure that engagement takes place sufficiently early for suppliers to understand the requirement and for

“ A shared focus on outcomes, rather than scope, will unlock innovation and drive continuous improvement.”

contracting authorities to reflect on any feedback received. All preliminary market consultation must observe the principles of public procurement – equal treatment, non-discrimination, proportionality and transparency – and be handled in such a way that no supplier gains an unfair advantage. It is good practice to openly announce any preliminary market consultation by publishing a prior information notice.

Innovation, sustainability and early engagement

Innovation comes in a number of forms and starts with being open to new ways of thinking and creating forums where these ideas can be considered and assessed. Contracting authorities should consider how they can continuously improve their approach to innovation, from seeking to improve processes and products already in place to applying existing technology to new markets to developing new products and processes which lead to transformational change. This continued improvement should consider any unintended conflict between the approach to innovation and the commercial conditions around this.

Projects and programmes should engage in innovative thinking from the start through early engagement. Research and innovation-based procedures which go beyond engagement to inviting the market to suggest novel solutions to problems should also be considered.

Contracting authorities should require that solutions put forward by potential suppliers are accompanied by a whole life carbon assessment, where proportionate and appropriate. This should be conducted in collaboration with the wider supply chain to identify means to minimise GHG emissions during the construction and operation of the asset. Contracting authorities should require any contracts on a single project/programme to deploy a consistent approach to whole life carbon assessment, such that all suppliers use the same tool for assessment. Where the project/programme and interface with the supply chain are more complex, the whole life carbon assessment approach should be clearly laid out in the technical specification/specification of requirements. Whole life carbon assessments are expected to mature over time with higher-level assessments at the early engagement phase developing into robust assessments included in the final tender documentation. Contracting authorities should also collaborate with the supply chain to develop proposals that will improve the sustainability of the project or programme. This should include meeting

applicable requirements of the **Environment Act 2021** to deliver biodiversity net gain, and could include issues such as waste reduction and recycling, and air and water quality.

Further guidance and practical resources on decarbonisation for procuring construction and infrastructure projects and programmes is available in the **Promoting Net Zero Carbon and Sustainability in Construction Guidance Note**.

Social value, SMEs and early engagement

Social value is a way of maximising the benefits of public procurement by encouraging employment opportunities, developing skills and improving environmental sustainability. This helps to contribute towards a level playing field for the UK's small businesses, voluntary and community sector organisations and social enterprises. SMEs are experts in their fields and can provide insight into MMC, innovative technologies and ways to minimise the GHG footprint of the proposed solutions across their whole lifecycle.

Early engagement is an opportunity for contracting authorities to test their approach to SMEs and social value. Further information on how departments and ALBs should take account of social value and carbon net zero as set out in chapter 9.

Early supply chain involvement

Public works projects and programmes should contract for early supply chain involvement (ESI) to achieve the planned outcomes, value for money and whole life value. Investing time in ESI can lead to

more effective designs, reducing changes and potential cost increases downstream. This results in faster delivery when construction starts.

ESI extends the principle of early contractor involvement by formally engaging the tier 1 contractor alongside tier 2 and 3 sub-contractors and suppliers in the pre-construction phase to input into the design (including the use of standards for products and interfaces), costing, risk management and structuring of a project or programme.

Good ESI relies on strong leadership, project governance including strong commercial management and suitably qualified practitioners to ensure that proposals are clearly understood and limited to what is required to enable successful project delivery. Trust is key and it is important that a mutually beneficial, open and collaborative approach is adopted during the process in sharing ideas and innovative solutions. A transparent and flexible approach that clearly sets out all parties' intentions and ways of working should be adopted.

The procurement process, evaluation approach and contract should generally be structured to cover both the ESI and the construction phase. While it is possible to follow ESI with a further competitive procurement process, this can undermine the benefits of using ESI.

Further guidance on carrying out engagement with suppliers and the wider supply chain and best practice case studies are available in the **Market, Supplier and Supply Chain Engagement in Construction Guidance Note**.





Outcome-based approach

Projects and programmes should adopt an outcome-based approach focused on whole life value, performance, sustainability and cost. This will help suppliers understand contracting authorities' ambitions without being prescriptive about how to deliver outcomes. A shared focus on outcomes, rather than scope, will unlock innovation and drive continuous improvement.

Clear and measurable outcomes should be set at the outset of a project or programme. In developing these, projects and programmes should focus on whole life value. This will enable teams to identify and understand how their project will perform as part of a wider system of interdependencies and contribute to government's economic, social and environmental priorities. At the project level when procuring from the market, outcomes and metrics should draw on the social value model. In turn, this should inform an appropriate delivery model, commercial approach and route to market (see chapters 5 and 6).

The new Project/Programme Outcome Profile has been developed by the Infrastructure and Projects Authority and supports teams in achieving this. It sets out a clear framework linking the contribution of an individual project to the delivery of government's priority outcomes as defined by the Public Value Framework and social value model (see chapter 6).

To enable contracting authorities and suppliers to develop outcome-based specifications and make informed decisions throughout the life-cycle, government and industry have developed the Value Toolkit. This enables contracting authorities to evaluate options and develop an outcome

specification consistent with the Social Value Framework. It is recommended that the Toolkit is used to support work to define value for a project, and to inform an early supply chain engagement.

A design underpinned by a clear set of objectives which meets the requirements and specification is a critical factor in the overall timely and cost-effective delivery of projects and programmes. It is important to engage with a wide range of stakeholders in creating design objectives, requirements and specifications including end users and the market. Projects and programmes should start with a clear vision and avoid being overly prescriptive to allow the supply chain the opportunity to provide innovative solutions.

Where appropriate, we should specify consistent standards for products and interfaces to reduce unnecessary bespoke solutions, enable efficiencies, aggregate demand and support the move to adopting platforms-based approaches (see chapter 2).

Good design and specifications will go through a number of stages of development before being finalised. Table 1 sets out a number of key considerations in drafting a technical specification. Ultimately, specifications should provide sufficient information for the market to make an informed decision about whether they want to bid, to enable the contracting authority to have confidence as to what will be built, its performance, and for both parties to be clear on what is included in the price.

Table 1. Effectively drafting technical specifications

Good practice	Avoid
<ul style="list-style-type: none"> • Use simple language and avoid jargon. • Define terms, symbols and acronyms. • Adopt a logical structure. • Be concise (“Contractor must...”). • Focus on outcomes. • Ensure there is sufficient information to enable prospective contractors to price their solution. • Ensure the specification is fully reflected and embedded in the draft contract. 	<ul style="list-style-type: none"> • Over-specifying the solution early in the process. • Excessively specifying inputs. • Missing out requirements by failing to engage with all relevant stakeholders. • Discriminating against or offering an unfair advantage to a prospective contractor. • Drafting the contract and specification in isolation of each other.

Intellectual property rights

Developing a clear strategy for intellectual property (IP) rights will drive better value for money, support a competitive market and encourage innovative solutions.

It is important to create a common understanding of what IP is and how it might arise from the contract. Contracting authorities should engage early with suppliers on different options, what these would mean in practice and the impact on solutions suppliers might provide. In developing an IP strategy, consider:

- How do different IP positions change the cost of the project or programme? What is the potential cost impact on future work?
- What will happen at the end of the contract if we need to use the IP in future? How will this impact the market?
- Are you encouraging suppliers to provide their best ideas and innovations?

IP should be managed through the life of the contract with clear responsibilities set out in the contract. It is also necessary to agree where ownership of any new IP developed for/ during a project lies, and how it can be used effectively by different parties on later projects.

Modern slavery

Where we are procuring goods, services, and works, particularly from high-risk sectors including Construction, we need to take all the necessary steps to mitigate the risks of Modern Slavery within our supply chains in line with the **Modern Slavery Act 2015**.

A risk-based approach in our commercial activity should be applied to combatting Modern Slavery starting in the planning and preparation stage.

We must ensure that regular monitoring is carried out throughout the commercial lifecycle to manage and mitigate against Modern Slavery risks. Further information can be found in **PPN 05/19** and the associated **Tackling Modern Slavery in Government Supply Chains guidance**.

Key points



1. Engage early with the market and be ready to demonstrate in the business case that your proposals have been informed by both your market health and capability assessment and feedback from potential suppliers including SMEs and VCSEs.
2. All public works projects should contract for early supply chain involvement (ESI).
3. Appropriate, clear and efficient specifications are a critical factor in the overall timely and cost-effective delivery of projects. Specifications should focus on delivering whole life value, align with the government's wider economic, social and environmental priorities and require the use of an appropriate whole life carbon assessment methodology.
4. Embed a requirement for suppliers to identify and use a quality planning process in the delivery of capital projects and programmes, and familiarise contract management teams with quality processes.

Want to know more?

1. **Collaborative models of construction procurement**. Guidance and frequently asked questions about Two Stage Open Book, Integrated Project Insurance and Cost Led Procurement models of construction procurement.
2. **Delivery Platforms for Government Assets**.
3. **Infrastructure procurement routemap**.
4. Framework Alliance Contract 1 (FAC1) and ICG Project 13, specifically **Crown Commercial Service Construction framework agreements** integrating FAC-1 and Project 13 principles.
5. **Construction Innovation Hub Quality Planning Guide**.
6. **Government Property Standard** and **Government Property Profession Career Framework**.
7. Further information on Modern Slavery can be found in **PPN 05/19** and **UK Government Modern Slavery Statement**.
8. Further guidance on carrying out engagement with suppliers and the wider supply chain and best practice case studies are available in the **Market, Supplier and Supply Chain Engagement in Construction Guidance Note**.
9. Further guidance and practical resources on decarbonisation for procuring construction and infrastructure projects and programmes is available in the **Promoting Net Zero Carbon and Sustainability in Construction Guidance Note**.
10. **Procuring Net Zero Construction**.
11. **The Cambridge University Centre for Smart Infrastructure and Construction (CSIC) Carbon Reduction Code**.



12. [The Construction Innovation Hub Value Toolkit.](#)

13. The Green Construction Board's Low Carbon Concrete Group have launched the [Low Carbon Concrete Routemap.](#)

14. [Guidance on Project/Programme Outcome Profile.](#)

15. Whole life carbon assessment tools e.g. [PAS 2080.](#)

16. Circular economy standards e.g. [BS8001](#) and Cradle to Cradle Certification from the [Cradle to Cradle Products Innovation Institute.](#)



④ People and Governance

To ensure we are focused on the right outcomes, it is critical for teams to engage early with governance forums and central assurance processes, where appropriate.

Driving better, faster, greener delivery



- Ensuring projects and programmes are consistent with the 14 key policies set out in this Playbook will lead to better, faster, greener delivery.
- Good approvals processes ensure project and programme delivery is focused on the intended outcomes and government's wider priorities.
- A portfolio approach to managing public works can unlock transformational change in how we deliver projects and programmes.
- The **Building Safety Act 2022** provides defined interventions for the rigorous inspection of regulatory compliance to help ensure that building safety risks are considered during planning, design, construction and operation.

Compliance

The Construction Playbook applies to all public works projects and programmes. It is mandated for central government departments and ALBs on a 'comply or explain' basis (see 'About this document' chapter). The wider public sector is encouraged to take account of the Construction Playbook.

For central government, compliance to the Construction Playbook is being driven through departments' governance processes, central Cabinet Office controls (projects over £10 million per transaction) and the Treasury Approvals Process. The Cabinet Office Sourcing Programme will work with in-scope organisations to embed the Construction Playbook within local governance forums and approval processes.

Applying the principles and policies set out in this Playbook, following the **Green Book** using the best practice 5-case model and applying the principles of the **Orange Book** will result in better, faster and greener delivery of public works projects and programmes.

Approval processes

Contracting authorities should have consistent, transparent, proportional and streamlined processes to enable effective decision-making. Experience shows that investing the time up front by adopting a portfolio approach to approvals can unlock additional benefits and drive better outcomes.

The new more stringent building control regime for buildings will provide rigorous inspection of building regulation requirements, ensuring that building safety is considered at each stage of design and construction.

“ Successful delivery is built on ensuring we have the right teams of people with the necessary mix of functional expertise and experience to match the capabilities of the market.”

Building regulations should be considered holistically with an outcome focused approach which includes appropriate considerations of building safety.

Among other things, processes should:

- make use of previous cost and schedule data from benchmarks and historical Should Cost Models where appropriate (see chapter 5)
- consider the strategic approach to delivery, including the type of relationship with the supply chain, to assess projects and drive continuous improvement in the cost and speed of deliver.
- support consistent and robust identification and management of opportunities and risks within desired levels, support openness, constructive challenge, innovation and excellence in delivery

Approvals form a key part of the project timeline and projects should be transparent with the market on the potential process and impacts on a procurement.

Senior responsible owners and cross-functional teams

Project or programme senior responsible owners (SROs) own the business case and are accountable for delivery of the project or programme and its benefits and outcomes. They should fully understand the governance and approvals process and commit sufficient time to lead the project or programme through approvals and delivery.

Contract management should feature when business units are completing the controls process – it is the responsibility of the contracting authority to satisfy itself that sufficient provisions have been made towards contract management and that the ability of the contract management team is appropriate.

Successful delivery is built on ensuring we have the right SROs and teams of people with the necessary mix of functional expertise (see ‘About this document’ for a cross-functional matrix to support implementation) and experience to match the capabilities of the market. This includes individuals who sufficiently understand the business case and processes to get things right from the start, prevent unnecessary delays through approvals and inform decisions through the best available information and expertise.

For large and complex projects, team and delivery capacity and capability, current and planned, will be scrutinised by the Infrastructure and Projects Authority (IPA) as part of the assurance and approvals process.

Government Major Projects Portfolio

Taking a portfolio approach to public works enables better risk management at an organisation level, greater understanding of what works, and unlocks the ability to build capability and drive transformational change in how we deliver projects and programmes. Contracting authorities should adopt a portfolio approach in managing their collection of projects and programmes throughout their lifecycles.

Central government's most complex and strategically significant projects form the Government Major Projects Portfolio (GMPP). This is overseen by the IPA with departments providing data on projects and programmes on a regular basis. The GMPP enables tracking of projects and programmes through their lifecycle, including a delivery confidence assessment and forecasted benefits.

Opportunity framing workshops

We should bring together people with functional delivery expertise at a time when the ability to influence changes in strategic planning and project design is relatively high and the cost to make those changes is relatively low.

Any new central government initiative that is likely to result in a major project should go through an opportunity framing workshop (building on former 'Project Validation Reviews' or PVRs) to achieve this.

The purpose of these workshops is to:

- create alignment and clarity between the project team, decision makers and key stakeholders on the opportunity of the project – the purpose, intended outcomes and scope
- build a shared understanding of the requirement
- identify critical success factors and associated risks and opportunities
- determine scope of effort required to deliver and understand any capacity or capability gaps that may impede delivery

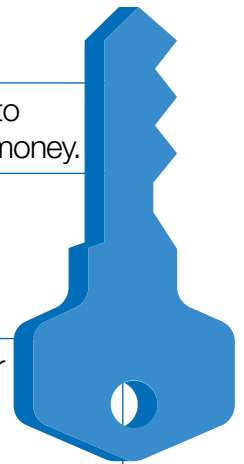
Getting all teams on the same page from day one puts us in a position to make good decisions right at the start and ensures we are focused on how we will drive better, faster and greener delivery and improved outcomes.

The standards that people should work to are specified within government functional standards including **GovS 008: Commercial**, **GovS 002: Project Delivery**, **GovS 004: Property** and **GovS 006: Finance**.



Key points

1. Good approvals processes should be consistent, transparent and streamlined to enable effective decision-making across an organisation and improve value for money.
2. Project or programme SROs should be appropriately experienced and qualified, fully understand the governance and approvals process, the scope of their responsibility and commit sufficient time to guide projects and programmes through approvals and delivery.
3. Contracting authorities should adopt a portfolio approach to tracking major projects throughout their lifecycles. Central government's most important projects and programmes are tracked as part of the GMPP.
4. Projects and programmes should have a proportionate early challenge review.



Want to know more?

1. The Cabinet Office Sourcing Programme is leading on implementation of the Construction Playbook including working with the Local Government Association and Local Partnerships – contact sourcing.programme@cabinetoffice.gov.uk
2. Entry to the GMPP is set out in the [Treasury approvals process for programmes and projects](#).
3. [GovS 002: Project Delivery Functional Standard](#).
4. For advice on engaging the HMT Spending Teams, contact your departmental approval and scrutiny lead.
5. For guidance on the IPA assurance process, contact gateway.helpdesk@ipa.gov.uk
6. Government Major Contracts Portfolio (GMCP) tracks the government's most complex and strategically important services to complement the GMPP. For further information on the GMCP, contact markets-sourcing-suppliers@cabinetoffice.gov.uk
7. If you have any questions regarding Cabinet Office controls, contact cabinetofficecontrols@cabinetoffice.gov.uk



⑤ Delivery Model Assessments

The right delivery model approach enables clients and industry to work together to deliver the best possible outcomes by determining the optimal split of roles and responsibilities.

Driving better, faster, greener delivery



- Considering the delivery model alongside the desired outcomes and the value profile will better enable organisations to define roles and responsibilities that best protect value and enable delivery of those outcomes.
- Actively assessing the most appropriate delivery model (rather than adopting familiar but potentially inappropriate models) will enable transformational change.

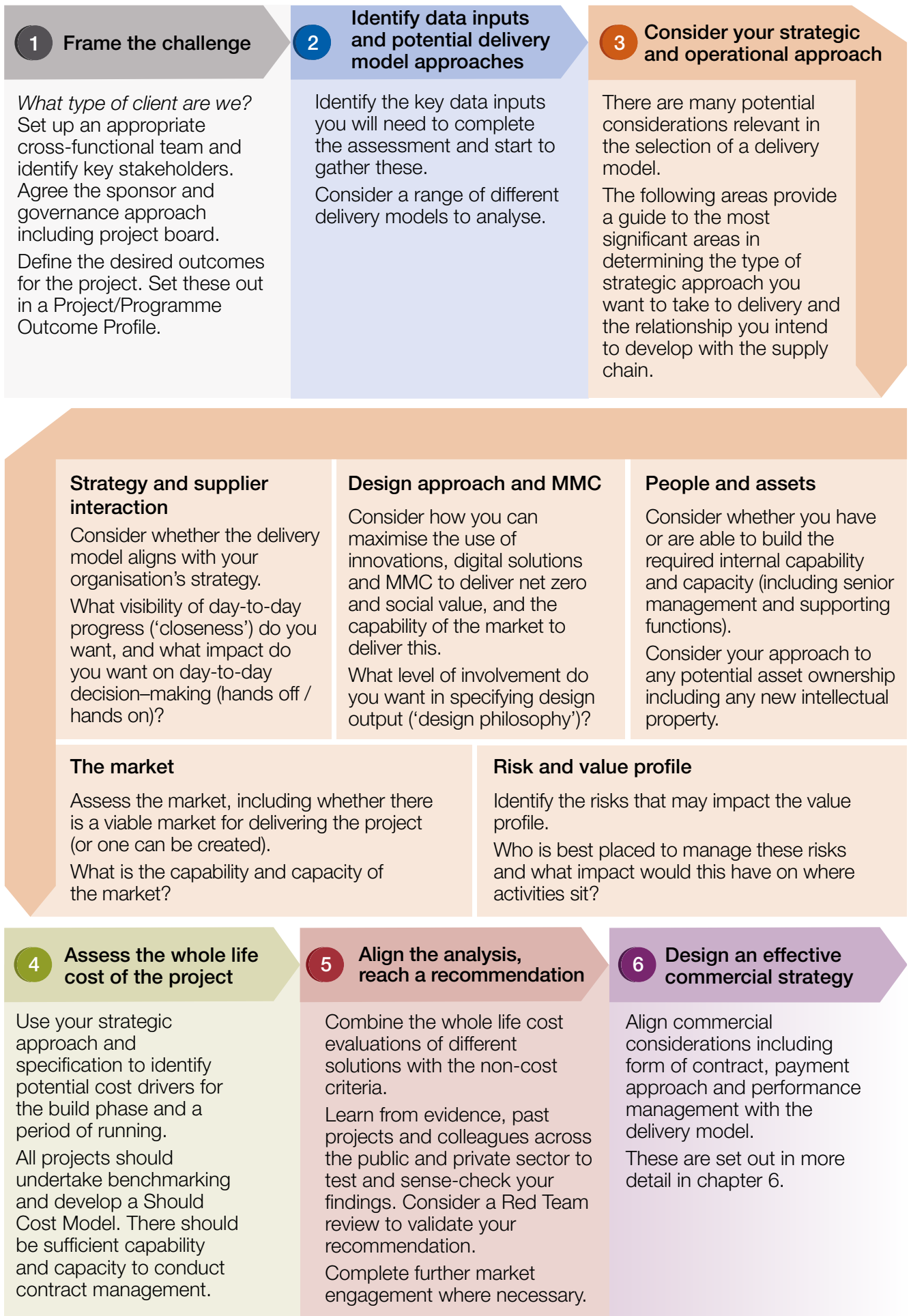
The delivery model assessment (DMA) is an analytical, evidence-based approach to reach a recommendation on how a contracting authority should structure the delivery of a project or programme. It is a strategic decision that should be given consideration with an appropriate level of analysis and attention applied. This should take place early enough to inform the first business case stage (Strategic Outline Case for departments and ALBs).

To determine which delivery model offers the best value, an analysis of the value profile, strategic risks, client and market factors is required and should inform the split of roles and responsibilities across the client and market.

The structured approach, set out in Figure 2, provides a high-level framework consistent with the options appraisal approach prescribed in the Green Book. Contracting authorities should consider a wide range of potential delivery models and how each model would support a value-based approach across the whole lifecycle. HM Treasury and the IPA now apply additional scrutiny of projects and programmes to ensure that the chosen delivery model best delivers the project and programme objectives.

The key is to start by thinking about the objectives and outcomes you want to achieve (Step 1), your strategic approach (Step 3), and a robust understanding of whole life costs (Step 4) before deciding on an appropriate commercial approach to operationalise the delivery model (Step 6). Once we understand our strategic approach to the delivery model, we need to reflect that in our commercial approach – the way we procure, contractualise and manage works (see chapter 6).

Figure 2. Delivery model assessment for public works projects and programmes.





Potential delivery model approaches

Strategic approach	Common features
<p>1: Transactional “I know my requirement, who can best deliver it?”</p>	<p>Traditional approach in which the industry is engaged to provide a standard service, with competition at procurement.</p>
<p>2: Hands-on leadership “Given the complexity I’ll need to watch over this closely.”</p>	<p>Complexity of work and stakeholder environment in which the client needs greater control. Certainty of outcome and stakeholder management are more important than lowest cost.</p>
<p>3: Product mindset “I need lots of these and need them to get better, greener and faster.”</p>	<p>Learning the lessons of repeatability from manufacturing, often with extensive use of digital design and Design for Manufacture and Assembly. Should lead to progressive improvement and efficiency. Viability depends on a visible pipeline of repeatable products.</p>
<p>4: Hands-off design “I need to solve this problem, and I am willing to allow significant flexibility as to the solution.”</p>	<p>The client is clear on the outcome and agnostic as to the solution (which may not even require a physical structure). Open to innovation and amenable to using technology to solve the problem instead.</p>
<p>5: Trusted helper “I need help, come and perform for me without me having to tell you how that needs to be done.”</p>	<p>The client is focused on its core business and requires competent suppliers (often in a safety critical environment) that may know the client’s operating procedures or technical challenges better than the client. There is close proximity between client and market, and workloads may fluctuate.</p>





Benchmarking and Should Cost Models

The use of benchmarking data will drive consistency and the overall robustness of cost estimates. Benchmarking is the analysis of information and good practice from past projects and programmes to create data reference points. It can generate the inputs required for Should Cost Models, provide the building blocks for whole life cost evaluation, and provide a comparator for project and programme performance.

Projects and programmes should undertake benchmarking of key project deliverables including cost, schedule, GHG emissions, social value and agreed outcomes at each stage of business case development. This will be supported by a new data IPA benchmarking hub in 2022. A firm understanding of cost and performance is critical to good decision-making and successful project and programme delivery. Inaccurate estimates may lead to unrealistic expectations, which can derail a project's chances of success.

Using Should Cost Models to understand whole life costs

Having a clear understanding of the whole life costs and risks of delivering a project or programme is best achieved by producing a Should Cost Model (SCM). A SCM provides a forecast of what a project or programme 'should' cost over its whole life, including both the build phase and the expected design life.

All projects and programmes should produce a SCM. The level of investment in producing a SCM will vary with the complexity and significance of the procurement. For major works projects and programmes a SCM will be more detailed and, while the level of detail will evolve, they should be produced during the planning and preparation stage to support the DMA.

The SCM will drive a better understanding of the whole life costs and risks associated with different options and scenarios. This will inform engagement with bidders and the appropriate commercial strategy including methods to incentivise the supply chain to focus on whole life cost. It will drive more realistic budgets by providing greater understanding of the impact of risk and uncertainty on both cost and schedule. The SCM should also be linked to the whole life carbon assessment and should consider the cost implications of decarbonising future projects. (see chapter 3).



Key points

1. The delivery model assessment should take place early in the preparation and planning stage of a project or programme.
2. To complete a delivery model assessment, start by thinking about the outcomes you want to achieve, your strategic approach and a robust understanding of value before determining the appropriate commercial approaches for the delivery model.
3. Projects and programmes should undertake benchmarking of key project deliverables including cost, schedule, GHG emissions, social value and agreed outcomes at each stage of business case development.
4. SCMs should be produced as part of the planning and preparation stage to inform the delivery model assessment.



Want to know more?

1. Project Initiation and Project Development **Routemap**, in particular the Governance Module.
2. **Construction Innovation Hub Value Toolkit**.
3. **Should Cost Modelling Guidance Note**. This was designed for public services, however it provides useful guidance and will be updated for construction in 2022
4. **HM Treasury guidance on quality assuring government models**.
5. **IPA Best Practice in Benchmarking guidance**.
6. **IPA Benchmarking capability tool**.
7. **IPA cost estimating guidance**.
8. Further guidance and practical resources on decarbonisation for procuring construction and infrastructure projects and programmes is available in the **Promoting Net Zero Carbon and Sustainability in Construction Guidance Note**.



⑥ Effective Contracting

We want to create a contracting environment that delivers a sustainable, resilient and effective relationship between contracting authorities and the supply chain, focused on outcomes, and that creates long-term value for all.

Driving better, faster, greener delivery



- Clearly articulated outcomes will focus the supply chain on delivery in an environment where expectations are clear and transparent.
- Appropriate and considered commercial approaches can drive better and faster delivery.
- Standardised contract terms can simplify and speed up procurement processes and improve transparency of expectations.
- Better contracting and well thought out contracts enable better contract management through the life of the contract.

Contracting strategies should be designed to deliver real value for the long term. Once we understand our strategic approach to the delivery model, we need to reflect that in our commercial approach – the way we procure, contractualise and manage works.

Contracting authorities should work with in-house specialist or contracted advisers to establish the most appropriate commercial approach and procurement strategy that optimises long-term value and involves all team members early enough for them to

contribute to this value. We then need to select an appropriate form of contract to suit the type and complexity of works, intended outcomes, delivery model, procurement strategy and commercial approach. This should also reflect how we intend to manage the contract based on the appropriate level of resource capability and capacity.

Project/Programme Outcome Profile

The Project Scorecard was renamed the Project/Programme Outcome Profile (POP) and published in 2021 including a template, guidance and training. This is a method and a tool developed by the IPA to support government projects and programmes to develop stronger business cases. The Project/Programme Outcome Profile should be used when undertaking the Strategic Assessment at the outset of developing a project or programme business case. It should be revisited at each iteration of the business case.

The Project/Programme Outcome Profile should be referred to within the contracts, forming part of the contractual documentation. They will be referred to throughout the approval and assurance processes in relation to the business case, used to inform contractual processes and form the baseline for robust post-completion evaluation.



The outcomes agreed through the Project/ Programme Outcome Profile should also be used to design the set of key performance indicators (KPIs) for the project or programme.

Key performance indicators

Appropriate specifications and performance measures are the foundation of a good contract. With the right KPIs in place, it should follow that contracts are designed to incentivise delivery of the things that matter, minimise perverse or unintended incentives and promote good relationships.

Contractual KPIs are used to measure progress and performance of suppliers in the delivery phases of a project (e.g. during design, construction, and testing and commissioning). It is important that KPIs are relevant and proportionate to the size and complexity of the project or programme. Getting this wrong can create confusion and tension. For instance, having too many KPIs will lead to over-complicated contracts and ambiguity with suppliers. KPIs should drive both a focus on outcomes and continuous improvement, aligning with the Project/Programme Outcome Profile where appropriate, and the intended benefits to be realised during contract delivery.

Misunderstandings about how KPIs work or how they are measured can make it difficult for bidders to price them. It is important to work closely with bidders and suppliers to ensure KPIs are jointly shaped and understood. Using quantifiable and measurable KPIs drives common understanding in what matters and supports a successful relationship between all parties (see chapter 11).

In developing KPIs, contracting authorities should have regard to cross-government construction metrics under development by the IPA and the Government Construction Board. These will help to improve visibility of performance across the government's public works portfolio and are aligned to the government's strategic objectives.

In line with the cross-government transparency agenda, the top three KPIs from government's most important contracts should be made publicly available. These should be the three most relevant to demonstrating whether the contract is delivering its objectives. They should be measured regularly, and performance against them should be published quarterly.

Commercialise the delivery model

Deciding on the correct commercial approach is critical to achieving the intended benefits and wider value. The commercial approach should be linked to the delivery model, the desired outcomes and type of relationship you want to have with the supply chain. Depending on the commercial approach and nature of the works, this will impact the procurement procedure and contracting strategy.

One of the most effective ways to deliver outcomes is to create contracting environments that promote collaboration, increase efficiency and drive a focus on delivery. Contracts should create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives.

“ One of the most effective ways to deliver outcomes is to create sustainable contracting environments that promote collaboration and reduce waste.”

Experience shows that while alliancing arrangements are not always appropriate, they should be considered on more complex programmes of work as the effective alignment of commercial objectives is likely to improve intended outcomes as well as drive greater value for money. Alliancing models also provide more effective integration, which leads to effective and aligned arrangements, and enables engagement with the wider supply chain and platform delivery (see **Recommendations document**).

It is necessary to develop the commercial approach and the procurement strategy before making the decisions needed for the contracting strategy.

Commercial approach

The commercial approach should be based on how much delivery responsibility we are willing, are able or need to take on, versus procure at whichever stage we go to market. This should be linked to the delivery model approach and include a view of the level of risk and risk transfer associated with different options (see chapter 5).

Procurement strategy

There are a number of key considerations which include:

- the contract award method (e.g. negotiation, direct award, frameworks, competitions) and pricing model
- who is responsible for design (e.g. architect, contractor, us)
- who would take on the responsibility for co-ordination and integration

Contracting authorities should engage the supply chain throughout the process (see chapter 2), this could be informed by pre market engagement, and consider how they can ensure that the main contractor/s implement effective contracting measures with its own suppliers.

Contracting strategy

This is where we define the form of contract informed by the commercial model.

This includes:

- defining critical risk allocation, and ensuring it is properly reflected in the contract
- documenting the decisions made earlier on the contractual roles and responsibilities
- defining clearly the rights and obligations of each party and the associated contractual processes required to implement the commercial model, manage the contract and deliver the project
- developing requirements that support the inclusion of additional benefits such as creating new skills, local employment and sustainability

The contract is where all the key elements of the project are drawn together and must be a fully integrated, consistent suite of documents. Where appropriate, the basis of the contract can be replicated down the supply chain, for example using a similar form of standard sub-contracts as the main contract. It will define what you want to buy (specification), the method and timeframe for delivery, risk allocation and other key commercial terms (e.g. the payment mechanism and KPIs) and what happens if things go wrong.

Procurement procedure

Once you have considered the commercial approach and contracting strategy, you need to select the most appropriate procurement procedure. Cabinet Office policy on the choice of procurement procedure can be found in [PPN 12/15](#).

Keeping bid costs down

The cost of bidding for government contracts is frequently cited as a reason for not bidding and as a barrier to entry for SMEs and VCSEs. Procurement processes should be of proportionate duration and effort to the size and complexity of the contract opportunity. By making our procurement processes unnecessarily complicated or protracted, we risk minimising the pool of bidders and stifling competition.

Use of frameworks

Frameworks are an efficient method for government to procure public works, goods and services and can provide an opportunity for contracting authorities to access economies of scale. However, using frameworks inappropriately can have negative consequences for contracting authorities, markets and suppliers, and can unintentionally inflate prices.

A successful framework contract should be based around principles that align objectives, success measures, targets and incentives so as to enable joint work on improving value and reducing risk. This should then be combined with transparent performance measurement and work allocation procedures. The FAC-1 framework is a good example of a standard form framework contract that can achieve this and many of the ambitions set out in this Playbook (see [Recommendations document](#)).



We have published and endorse the 24 recommendations in ‘Constructing the Gold Standard’ which reviewed the landscape of current frameworks and proposed a new ‘gold standard’ for improving economic, social and environmental value through frameworks, framework contracts and action plans under current frameworks. These recommendations will enable contracting authorities to easily identify frameworks that meet best practices and embody the policies set out in this Playbook. There will be a number of framework options to ensure competition and flexibility across government and the wider public sector.

Standardised contracts and terms

Standardised contracts or standardised contract terms can be used to help simplify and speed up procurement procedures. By applying a common approach across the public sector, best practice is more easily embedded and suppliers are more likely to experience a consistent application of policies and practice. Contracting authorities should ensure that they have appropriate resources to effectively manage contracts effectively (see chapter 11).

Standard construction contracts with appropriate options should be selected, save where the project or programme justifies a bespoke approach. Standard contracts should be chosen from the following suites:

- NEC as published by the Institution of Civil Engineers
- JCT, as published by the Joint Contracts Tribunal
- PPC/TAC-1 and FAC-1 as published by the Association of Consultant Architects

Should different forms of contracts be used for specific reasons, compliance with this Playbook should be addressed explicitly in relevant governance and approvals processes (see chapter 4). Good contract management should allow for variations and amendments to the contracts. Amendments where appropriate are encouraged but should be clearly documented in the contract and carefully considered with appropriate governance structures in place to account for them.

Before issuing the tender, stress-testing and peer-reviewing the draft contract against the above elements can be helpful, particularly to check for unintended consequences. In doing so, ensure that the contract terms are not unintentionally limiting innovation, sustainable supply chains, delivery of net zero or investment in MMC.

Boilerplate clauses

Contract amendments are usually added into model contracts to deal with project- or client-specific requirements or risks, which are not covered by the main contract terms. In NEC contracts, these are known as Z-clauses, while for JCT contracts these are typically done through a Schedule of Amendments.

Contracting authorities should use the standard ‘boilerplate clauses’ (also known as model clauses) produced by IPA and CCS to drive consistent, standard contract variations covering non-contentious amendments commonly included in public procurement.

Any clauses that do not apply to a specific contract should not be included. Changes should not be made to individual boilerplate clauses. The **boilerplate clauses** have been updated to reflect the policies set out in this Playbook. Further support is available from IPA and CCS.

Sustainable relationships

To meet the joint challenge of more sustainable contracts the construction sector needs to be nimble and innovative, embrace new technology in design and project management and deliver real change and efficiency through MMC.

Together we will need to build relationships and trust through how we contract, think long-term, manage risks and share information more effectively, be flexible when things need to change and ultimately deliver continuous improvement and real value (see chapter 11). Both parties should be comfortable and agree with the principles of the agreement and how this will affect the life of the contract. This will help avoid challenges and conflict throughout the contract’s life.

Conflict avoidance pledge

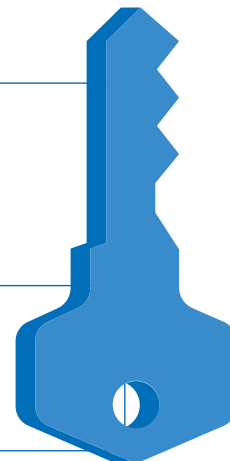
The conflict avoidance pledge (CAP) has been developed by a coalition of professional and industry bodies, and demonstrates commitment to conflict avoidance and the use of amicable resolution procedures to deal with emerging disputes at an early stage.

Contracting authorities should adopt the appropriate provisions as a standard clause in all public works contracts, and use this mechanism to resolve problems before these escalate into disputes. In addition, dispute avoidance boards are a potential way to avoid and manage disputes more effectively and, where appropriate, should be engaged with projects from inception to completion.

The CAP captures the ethos of working collaboratively and the use of early interventions techniques, reducing costs and supporting projects and programmes to be delivered on time and in budget.

Key points

1. Effective, sustainable contracts should support project and programme outcomes, be designed to implement alignment with the selected delivery model, be consistent with the best practices and policies set out in this Playbook, drive continuous improvement, be structured to enable an exchange of data and contractualise the use of the UK BIM Framework.
2. Procurement processes should be of proportionate duration and effort to the size and complexity of the contract opportunity so as not to create barriers to entry for SMEs and VCSEs. The business case should justify the chosen procedure.
3. Standard frameworks and construction contracts with appropriate options selected should be used with standard boilerplate clauses (also known as model clauses).
4. Adopt and implement the new 'gold standard' for frameworks and framework contracts and for action plans under current frameworks.



Want to know more?

1. Availability of Procurement Procedures (Decision Tree) **PPN 12/15**.
2. **Published standard form (FAC-1)**.
3. The Conflict Avoidance Pledge and supporting resources can be downloaded from the **RICS website**.
4. **'Constructing the Gold Standard': An Independent Review of Public Sector Construction Frameworks**.
5. Further guidance available on completing the **Project/Programme Outcome Profile**.
6. The **FAC1 Framework Alliance Contract**, which includes sustainability in its definition of value.
7. The Society of Construction law paper on **procurement for net zero carbon construction**.
8. **The National Association of Construction Frameworks**.
9. **NEC Sustainability Provisions**.
10. The Chancery Lane Project **climate clauses** and TCLP **case studies**, which includes one for the Environment Agency.

Preparation
and Planning

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7 Going Out to Tender

We need to be confident in our ability to effectively manage risks and solve problems collaboratively throughout the project and programme lifecycle.

Driving better, faster, greener delivery



- Proactive risk identification and management at all stages in a project or programme will drive improved delivery and increased opportunities for innovation.
- Collaborative and trusted relationships based upon a fair return and sustainable outcomes supports a value-based delivery model.

Procurement timelines and transparency

Suppliers need sufficient time and visibility of tender documentation to develop and price solutions, raise clarifications and respond with high-quality responses to tender documentation. Experience tells us that inadequate timescales and lack of transparency can result in a lack of due diligence, rushed solutions and poor-quality tenders, and may lead to a number of problems downstream in implementation.

Early engagement with the market will help to inform how much time is necessary or appropriate for a specific procurement and this should be reflected in the procurement and project timelines (see chapter 6).

Setting the tone

Projects and programmes should be run in accordance with the **Supplier Code of Conduct**. This recognises the joint nature of public works delivery and sets out how we achieve constructive and collaborative engagement with suppliers. The Contract Notice and tender documentation should carry a statement to indicate that the procurement will be run in the spirit of the Supplier Code of Conduct.

It is in everyone's interest for projects and programmes to be sufficiently prepared ahead of going to out to tender. Before we do, it is good practice to put in place a final sense check to ask 'Is this project or programme set up for success?'

“ Ensuring that risks are owned or jointly owned by the party or parties best able to manage and bear them is key to delivering value for money and successful outcomes with the private sector.”

Risk management

Collaborative risk management throughout the commercial lifecycle is essential to support successful project and portfolio delivery and sustainable outcomes. A portfolio view to risk and opportunity decisions can lead to better investment outcomes, allowing a coherent and consistent response to both common risks and successful treatment strategies (see chapter 1).

Risk management is the co-ordination of activities designed and operated to manage risk and exercise internal control within an organisation. A proactive approach to identifying and managing risks and opportunities using contracts effectively can drive improvement, innovation and value throughout the commercial lifecycle. We aim to work with our suppliers to get these things right:

- **Identification and assessment**, to determine and prioritise how risks should be managed.
- The selection, design and implementation of **risk treatment** options that manage risks to an acceptable level.
- The design and operation of integrated, insightful and informative **risk monitoring**.

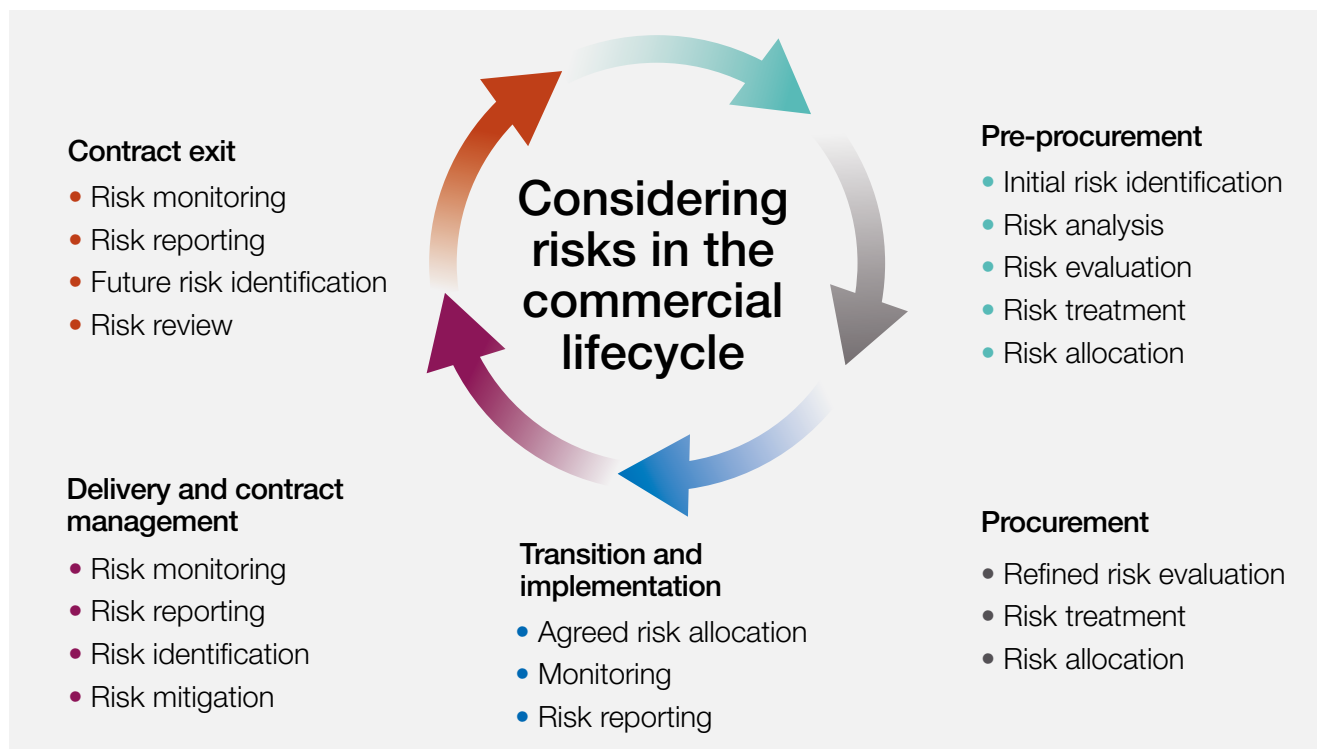
- Timely, accurate and useful **risk reporting** to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

Risk management starts early in the project and commercial lifecycle through assessing market health and capability (see chapter 1), developing a clear specification (see chapter 3), delivery model approach (see chapter 5), contract design (see chapter 6), and continues through to contract delivery and exit (see chapter 12). Figure 3 sets out key steps in considering risk in the commercial lifecycle.

We recognise risks exist as a normal part of every project and programme and we cannot innovate without taking risks. Complex situations commonly require risk trade-offs which, when developing approaches, may include tolerated and accepted risks to achieve the optimal outcome. The key is to have joined up, transparent mechanisms to identify and handle foreseen and unforeseen risks and opportunities when they arise.



Figure 3. Risk in the commercial lifecycle



Risk allocation

Ensuring that risks are owned or jointly owned by the party or parties best able to manage and bear them, and understanding how they intend to handle them, is key to delivering value for money and successful outcomes.

Risk allocation defines which party or parties will assume each risk, identifying which risks each supplier will be (or remain) responsible for and to what extent, and identifying which risks the contracting authority will be responsible for and to what extent. This allocation of risk should include the consideration of inflation and other such government set rates that have sector wide implications. Risk allocation should be supported by good risk management aligned to the project and programme strategic outcomes set out in the Project/Programme

Outcome Profile. Effective contracts and early identification of the parties that are best able to manage risk will support government’s carbon net zero targets.

Inappropriate allocation of risk remains one of the main concerns of suppliers looking to do business with government. It is also one of the most frequent issues raised by the National Audit Office in their audits of government contracts. It will therefore be a key area of discussion with prospective suppliers, which should start as part of early engagement. For example by exploring opportunities to develop solutions that help to mitigate risk through joint working before construction commences (see chapter 3). The approach to risk management and proposals for risk allocation should be subject to extensive scrutiny before formally going to market.



How risks are allocated should take into account both the practical capability and the financial capacity to manage and absorb that risk should it occur. We are always accountable to the public for the delivery of public works and reputational risk cannot be transferred to the supply chain. Poor risk allocation can cause a number of negative effects including supply chain instability, poor value for money and stifling innovation. Prior to awarding a contract there should be a joint understanding of risk ownership and respective roles and responsibilities.

A good approach is to:

- Apply appropriate focus during commercial strategy development to test risk treatment approaches with the market and explore the balance of risk between the supplier, the supply chain they will rely on and the contracting authority.
- Develop early risk work focused on achieving project strategic objectives and alignment.
- Compile a risk allocation matrix that considers which organisations in the supply chain are best placed to manage and bear each risk (i.e. whether it is a supplier, government or joint risk) and the extent to which they are responsible for each risk. Iterate through engagement with potential bidders, then manage proactively during the life of the contract.

- Include the sharing of appropriate risk registers and transparent communication on risk allocation with prospective suppliers and the supply chain. This should lead to a joint register with contracted suppliers which is aligned to project and wider outcomes.

Fair return

Short-term thinking can reduce the value for money that the public sector as a whole is able to derive from markets. There are many examples where we have mandated unreasonable payment mechanisms, applied unreasonable terms and conditions and/or sought unsustainable cost reductions. This can create a bias towards low quality and can increase the probability of contract failures. In addition, suppliers may exit the market to the point where competition is severely weakened.

The fundamental principle is that contracts should be profitable. Fair returns and expectations need to be reasonable for suppliers to remain interested and for the market to be sustainable.

Payment mechanism and pricing approach

The payment mechanism and pricing approach, and the approach to risk go hand in hand. The aim of the payment mechanism is to reflect an optimum balance between risk and return in the contract.

As a general principle, the approach should be to link payment to the delivery of outputs and/or of the work value and supplier performance. The approach to pricing should reflect the level of certainty or risk around the scope and requirement.

Where the scope of a project is certain, fixed pricing may be appropriate and, where there is increased uncertainty in scope, a variable

approach may be more suitable to achieve best value for money.

There should be sufficient rationale for the selected pricing approach and risk allocation applying scenario testing, with worked examples of any novel or complex mechanism, in tender documents. Where there are a number of linked procurements, it is important to consider the holistic approach and ensure that the individual payment mechanisms support the overall intended outcomes. Before formally going to market, test the proposed payment mechanism and ensure supplier cash flow variances are reasonable.

Contracting authorities and suppliers should always pay their supply chain promptly (see chapter 8).

Dos and don'ts for contracting authorities delivering public works

Do

- Apply a proactive risk management approach with suppliers incorporating early warning and joint decision-making. Consider the use of risk pots and allowable assumptions.
- Ensure that risk allocation and the approach to pricing are aligned with project and wider outcomes.
- Where not addressed through the payment mechanism, ensure that contracts include appropriate indexation (i.e. using an index or basket of indices or measures that reflect the underlying costs of delivering the service) where the supplier is managing pricing risks outside their control.
- Share all data (where it is appropriate to do so) relating to the procurement allowing sufficient time for due diligence.

Don't

- Issue incomplete tender documents with a poorly defined specification or unclear evaluation criteria (see chapters 3 and 9), this leads to pricing and project risk.
- Ask suppliers to take unlimited liabilities, and recognise the financial capacity of suppliers in establishing limits of liabilities. Exceptions should be limited to a small number of instances where this would not be lawful or where a commercial cross-government policy has been agreed.
- Unintentionally increase risk premiums and miss risk mitigation opportunities by late tendering that only allows suppliers to price client and consultant risk assumptions.
- Hold incoming suppliers responsible for errors in data (excluding forecasts) where they are unable to complete due diligence. Where data turns out to be incorrect, there should be a contractual mechanism for reflecting this adjusting for errors. Recognising outcomes of due diligence may not be available at the outset, develop a fair commercial approach to deal with consequences.

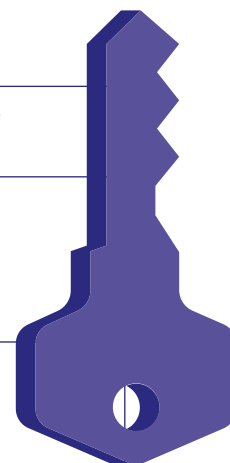
Onerous contracts

A possible consequence of getting risk allocation and the approach to pricing wrong is that contracts can become onerous (loss making) for a supplier.

When a contract is publicly designated by a supplier as onerous, it should prompt a root cause analysis and a conversation with the supplier about the reasons the contract has become onerous and the options available to address this.

Key points

1. Conduct meaningful engagement with the market. Set a collaborative tone and provide clear escalation routes for suppliers.
2. Risk should be allocated to, and managed by, those best able to bear and manage them (this includes the contracting authority). Contractual allocation should reflect the extent to which parties are responsible for risks and their management.
3. Contracts should be designed to be profitable and offer a fair return for the market to be sustainable. It is good practice to test profitability under different circumstances and make use of the Should Cost Model in developing payment mechanisms.
4. The payment mechanism and pricing approach including limits of liability should reflect the level of risk and uncertainty in the scope of requirement and will be subject to greater scrutiny.
5. When a contract is publicly designated as onerous, it should prompt a root cause analysis and conversation with the supplier.



Want to know more?

1. **Supplier Code of Conduct.**
2. **The Green Book:** appraisal and evaluation in central government.
3. **Orange Book:** Management of risk – Principles and Concepts.
4. **Risk Allocation and Pricing Approaches Guidance Note.** This was designed for public services, however it provides useful guidance for other markets.
5. **Cabinet Office guidance on Two Stage Open Book and Supply Chain Collaboration.**
6. **Construction Innovation Hub Value Toolkit.**

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⑧ Due Diligence During Selection

The resilience and competence of our suppliers is a priority across our contract portfolios and we have a responsibility to assure ourselves of this during procurements.

Driving better, faster, greener delivery



- Driving prompt, digital payment for work carried out in accordance with the contract ensures businesses have a healthy cash flow throughout the supply chain.
- Consistently applying a minimum standard of testing will provide a better understanding of financial risk and leave us better able to safeguard the delivery of public works projects.

Contracting authorities should consider the economic and financial standing of suppliers during the pre-qualification stage as set out below. In line with PPN 06/21, suppliers bidding for major government contracts must detail their commitment to achieving net zero through the publication of a Carbon Reduction Plan.

Prompt and digital payment processes

The government understands the importance of prompt, fair and effective payment in all businesses. Being paid promptly for work carried out in accordance with the contract ensures businesses have a healthy cash flow throughout the supply chain, especially at the lower tiers.

To support the growth and inclusion of more SMEs in the delivery of public works projects, we need greater visibility of the public spending flowing down the supply chain. Suppliers should invest in automated, digital payment and contracting systems and processes. Digitisation will improve transparency, information exchange, payment performance and contract management across the supply chain.

The selection process

The selection process is used, among other things, to determine whether bidders are able to demonstrate suitability and their relevant competence to meet our requirements to carry out the contract. The Standard Selection Questionnaire (SQ) should be used and some standard information may be obtainable via the Supplier Registration Service. The competence of bidders relevant to the specific contract should be appropriately assessed to ensure bidders are able to deliver the desired outcomes.

“ To safeguard the delivery of public sector projects and programmes, it is critical that suppliers’ economic and financial standing is considered during the selection process.”

The principle of paying promptly applies to all public procurement and all suppliers should pay their supply chain promptly. For contracts valued above £5 million per annum, departments and ALBs must include an assessment of a supplier’s payment systems processes and performance as part of the selection process, to demonstrate it has a reliable supply chain, and determine when it would be appropriate to exclude suppliers that cannot demonstrate this. Further guidance can be found in [PPN 04/19](#) and [PPN 07/20](#).

Assessing the economic and financial standing of suppliers

To safeguard the delivery of public sector projects and programmes, it is critical that suppliers’ economic and financial standing is considered during the selection process.

As well as informing the selection itself, financial assessments and ongoing monitoring should inform risk-management activity during the life of the project. The government now expects these assessments to be carried out in all construction procurements, as for other services. The key is that they are tailored to individual projects, and are proportionate,

fair and transparent. Guidance on how to do this is included in the Assessing and Monitoring the Economic and Financial Standing of Suppliers Guidance Note.

The key principles of appropriate financial testing are:

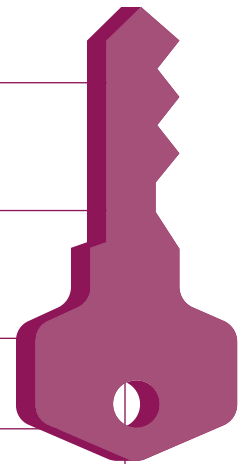
- The objective is to determine bidders’ financial capacity to perform the specific contract.
- Economic and financial standing forms one part of the overall judgement of suitability during selection.
- The methodology of assessing the ratios and the minimum requirements for procurements should be transparent, objective and non-discriminatory.
- All bidders, whatever their size or constitution, should be treated fairly and not inadvertently disadvantaged by the tests employed.
- Where bidders’ scores against the financial assessment metrics result in anything other than a ‘low risk’ classification, bidders should be given the opportunity to provide additional acceptable evidence and explain why different risk classifications may be more appropriate.
- Bidders with scores other than ‘low risk’ may be able to proceed subject to acceptable risk mitigations (see chapter 10).

The Contract Tiering Tool should be used to determine the stringency to which bidders are tested, with higher thresholds for more critical contracts. Assessment should be proportionate to the size, risk and complexity of the contract, flexible, not overly risk averse, and clearly outlined in the SQ.

It is important to recognise that measures for evaluating economic and financial standing are often backward-looking and contracting authorities should ensure that they develop robust market health assessments (see chapter 1) and have suitable systems in place for ongoing financial monitoring (see chapter 10).

Key points

1. The selection process is used, among other things, to determine whether bidders are able to comply with exclusion grounds and demonstrate suitability to carry out the contract.
2. The selection stage is an assessment of the bidders themselves, as opposed to the evaluation and award stage, which is an assessment of their bids.
3. The principle of prompt payment applies to all public procurement and all suppliers should pay their supply chain promptly.
4. The key purpose of assessing the economic and financial standing of bidders is to safeguard the delivery of public works and services. Observe the principles of public procurement: equal treatment, non-discrimination, proportionality and transparency.



Want to know more?

1. Standard Selection Questionnaire (SQ) [PPN 8/16](#).
2. [Supplier Registration Service for Government](#).
3. [Assessing and Monitoring the Economic and Financial Standing of Suppliers Guidance Note](#).
Support is available from the Cabinet Office via supplierfinanalysis@cabinetoffice.gov.uk
4. [Financial Viability Risk Assessment Tool](#).
5. [Guidance on Corporate Financial Distress](#).
6. Taking account of Carbon Reduction Plans in the procurement of major government contracts PPN 06/21.



**HIGHWAY
MAINTENANCE**

**HIGHWAY
MAINTENANCE**

BF6

Preparation
and Planning

Publication

Selection

Evaluation
and Award

Contract
Implementation



⑨ Evaluating Bids and Contract Award

We will drive wider value through public works projects and programmes. Encouraging the market to compete on price alone can create false economies and unhealthy markets, and should be avoided.

Driving better, faster, greener delivery



- Contracting authorities should have a clear understanding of value, their desired/required outcomes and how these align to government's wider priorities, including net zero GHG emissions by 2050.
- Robust evaluation processes and criteria ensure that we focus on achieving the right outcome and choosing the best option to achieve better, faster, greener delivery.

Value-based procurement

As set out throughout this Playbook, contracting authorities should consider the outcomes they are trying to achieve and identify wider value drivers beyond speed, cost and quality. This is known as value-based procurement. Value-based procurement should be adopted at an organisational level and driven through a portfolio approach to projects and programmes.

There should be a consistent approach running through policy intent, project selection, approval, initiation and into procurement, evaluation criteria, contracts, delivery and operations. The Project/ Programme Outcome Profile will help projects to do this by providing a tool to capture clear outcomes at the outset, aligned to government's strategic priorities, that can be referred to throughout the project lifecycle.

Evaluation – and evaluation criteria – should focus on value and evidence of relevant competence. Value for money is defined as securing the best mix of quality, performance, sustainability and social value for the least outlay over the life of a project or programme. It is not about minimising initial capital costs.

When considering 'outlay' the key factor is whole life cost, not lowest purchase price. Whole life cost takes into account the total cost over the life of an asset, including capital, maintenance, management, operation and exit, and can be very different from the initial price. Paying more for higher quality may be justified if the whole life cost is advantageous. Contracting authorities should determine whether increased benefits justify higher costs. Affordability will always be a key factor.

“ Evaluation – and evaluation criteria – should focus on value over cost.”

Contracting authorities should evaluate bids for public works projects and programmes by determining the most economically advantageous tender (MEAT) based on their published award criteria.

Social value

We will use consistent tools, frameworks and practices to communicate value drivers to the market and embed social value in what we buy. Social value should be explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject-matter of the contract.

From January 2021, a minimum weighting of 10% of the total score for social value should be applied in the procurement to ensure that it will be a differentiating factor in bid evaluation and a higher weighting can be applied if justified. The social value score should include a specific criteria and weighting for carbon reduction. The priority policy themes and outcomes for central government and further information is set out in [PPN 06/20](#).

Robust evaluation

Contracting authorities are expected to conduct robust evaluation processes that comply with the public procurement rules and best practice.

Evaluation is not only about the final award decision – it is about the design and execution of the whole process, leading up to that decision, ensuring the process is properly documented, and can stand up to internal and external scrutiny. Well-planned evaluation is more than bidders filling in an e-tendering form and should be structured to enable the industry to respond with innovative and transformational solutions.

Contracting authorities should ensure they are making full use of the MEAT methodology and test evaluation criteria and weightings prior to procurement to ensure they produce the desired outcomes. For example, applying minimum quality criteria inappropriately can lead to the competition unintentionally being based on price.

Creating the evaluation model

While cost is an important evaluation criterion, there will be many occasions where quality will be weighted higher than cost, recognising the importance of delivering quality public works projects and programmes, or meeting legal obligations such as net zero by 2050. The quality evaluation criteria need to be sufficiently well developed and detailed to allow for the differentiation in scores between competing bids, to avoid too close or identical scores from bidders.

In developing the evaluation model, contracting authorities should draw on the outcomes set out in the Project/Programme Outcome Profile, the social value priorities set out in **PPN 06/20** (for departments/ALBs) and consider wider factors including health and safety and delivering net zero and sustainability as part of the 'quality' criteria.

Keeping records and providing feedback

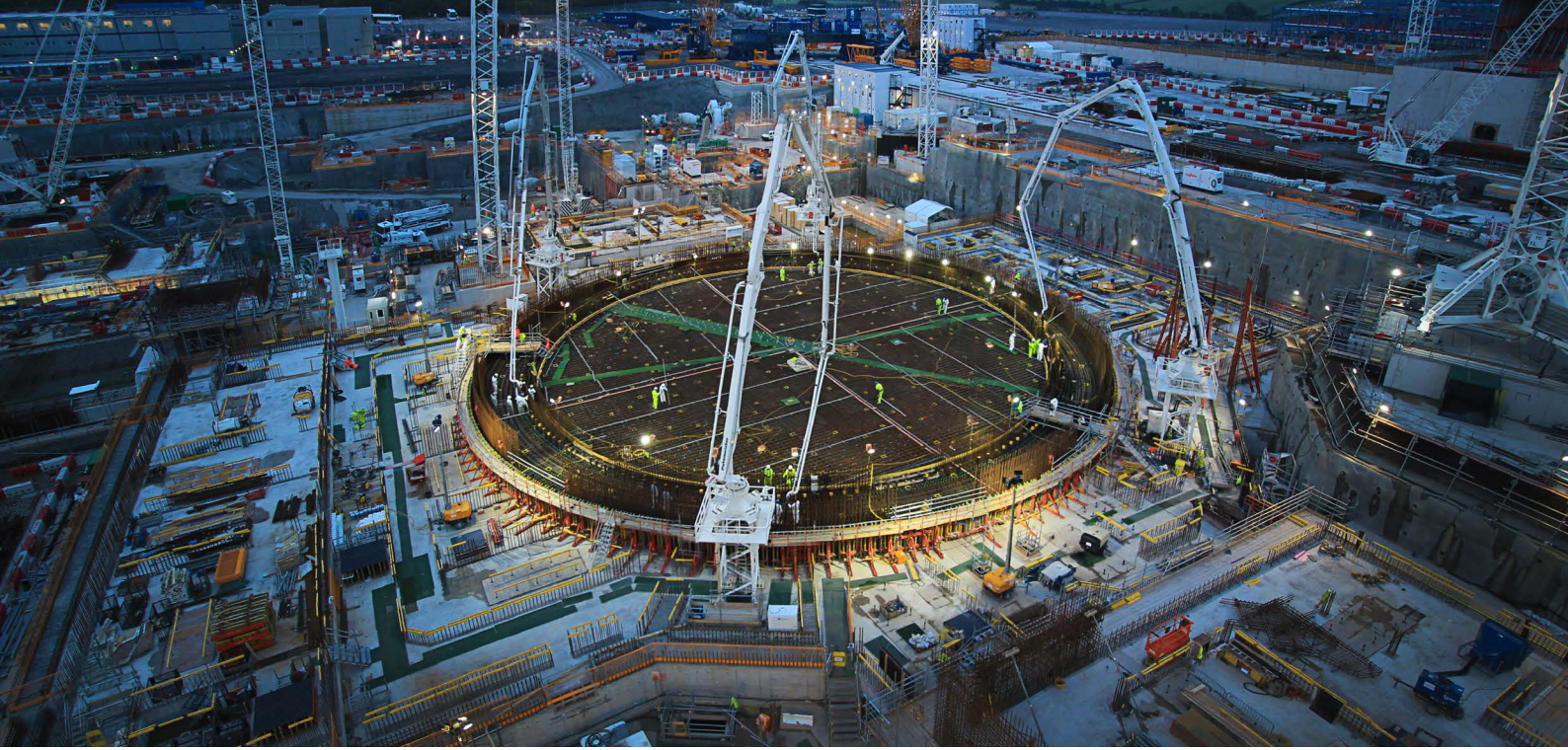
Evaluators must keep detailed records of their evaluation of bids, setting out the scores awarded and the rationale for the score. On completion, a robust evaluation report must be produced. This should demonstrate that the evaluation has been completed in accordance with the stated evaluation model, showing the evidence supporting the scores allocated, providing a clear interrogation of the all costs and demonstrating that the bid is financially sustainable over the life of the contract.

Regulation 86 of the Public Contracts Regulations 2015 requires that feedback is provided to unsuccessful bidders at the end of the evaluation process. Investing time into good feedback can be extremely useful to unsuccessful bidders by helping them to understand what they did well, what they could have done better and points to consider in the future. This will support the long-term development of diverse, healthy markets.

Low-cost bid referrals

Where public works are complex, there is a risk of low-cost bias, even if evaluation criteria are designed to balance quality and cost.

Departments should refer any abnormally low bid that is more than 10% lower than the average of all bids or the Should Cost Model to the Cabinet Office prior to accepting it. This is to be done in accordance with the relevant regulations.



Key points

1. Value-based procurement should be adopted at an organisational level and driven through a portfolio approach to projects and programmes.
2. Evaluation should focus on value rather than simply cost. Contracting authorities should evaluate bids for public works projects and programmes by determining the most economically advantageous tender (MEAT) based on their published award criteria.
3. Make use of the new social value framework and upcoming Project/ Programme Outcome Profile to design fair, open and transparent evaluation criteria.
4. Use a robust definition of whole life value, Should Cost Models and benchmarking, to identify value drivers early in the project lifecycle and then ensure they are translated into evaluation criteria.



Want to know more?

1. **The Green Book**: appraisal and evaluation in central government.
2. **Bid Evaluation Guidance Note**. This was designed for public services, however it provides useful guidance for other markets.
3. Taking Account of Social Value in the Award of Central Government Contracts – **PPN 06/20**.
4. **Construction Leadership Council – Procuring for Value** provides recommendations for how government, clients and industry can maximise the impact of the Construction Sector Deal by a change in approach to procurement.
5. **Construction Innovation Hub Value Toolkit**.



⑩ Resolution Planning and Ongoing Financial Monitoring

Although major insolvencies are infrequent, we need to be prepared for the risk to continuity of critical projects posed by the insolvency of key suppliers.

Driving better, faster, greener delivery



- Effective planning, monitoring and risk mitigation will help us safeguard the delivery of public works and minimise the time, cost and quality impacts of any supplier failure.

Contracting authorities and suppliers should develop open and transparent relationships to enable both sides to act quickly in the event of financial distress. If a supplier becomes insolvent, construction projects will be affected, likely causing delay and additional cost. It can potentially put the delivery of critical public works at risk.

Guidance on supplier financial distress is available in the '[Guide to Corporate Financial Distress](#)'. The guidance sets out common signs of potential distress, how financial distress can lead to insolvency, the different forms of insolvency, the steps that you should take and the additional support available.

Resolution planning

Resolution planning can help to mitigate the impacts of insolvency, ensuring that projects can continue following an orderly transfer to a new supplier. The best time to put this in place is when contracts commence, and with regular updates thereafter.

All new critical construction contracts will now require resolution planning information to be provided by suppliers. This requirement applies throughout the life of the contract. Resolution planning forms a key part of the handover to the contract manager and allows us to:

- understand better the potential impact of a supplier's failure and key risks to continued delivery of the project
- work with suppliers (and/or insolvency practitioners) to develop mitigations to limit the risk to critical public works

When reviewing suppliers' Service Continuity Plans (previously known as Business Continuity and Disaster Recovery Plans) and exit plans, we should check to ensure they are robust and deal adequately with the consequences of supplier insolvency.

“ Resolution planning can help to mitigate the impacts of insolvency, ensuring that projects can continue in the event of supplier insolvency.”

Contracting authorities should put in place their own contingency plans for all critical construction projects and programmes, putting these in place at the earliest stage possible and keeping them regularly refreshed. Guidance on how to do this is included in the Resolution Planning Guidance Note.

Options to mitigate the risk of potential supplier insolvency

There are a number of potential contractual options available to contracting authorities where there are concerns about the stability of a supplier, to help mitigate the impact of insolvency.

Treatments should be proportionate to the risk identified and the criticality of the contract, considering the impact on the overall value for money of a contract. Key options include:

- **Bonds.** Typically provided by independent third parties and provide financial payments in the event of supplier failure. Bonds should be used proportionately as they can be burdensome requirements for lower value contracts and add significant costs that are likely to be reflected in bids. Professional advice should be sought when considering the use of bonds.

- **Guarantees.** Under a guarantee, another party (such as a parent company) undertakes to fulfil the terms of the contract (a performance guarantee) and/or provide financial payments to the contracting authority (a financial guarantee) if the supplier does not honour the contract.
- **Project bank accounts.** A ring-fenced bank account from which payments are made directly and simultaneously to all members of a supply chain. As per Cabinet Office payment policy, PBAs are not always suitable, but should be used unless there are compelling reasons not to.

Ongoing financial monitoring

Although the financial standing of suppliers should be assessed during procurement, this can subsequently deteriorate, either suddenly or over time. Early recognition of the risk of supplier financial failure gives us more time to prepare for that failure ‘should it occur’ and mitigate the risk to continuity of critical projects. We should therefore monitor the financial standing of our key suppliers on an ongoing basis as a routine part of risk monitoring and reporting.

Monitoring should normally be performed in the first instance by a function or team that is independent of the day-to-day contract management role. Its frequency should reflect the criticality of the contract, as well as the perceived risk of failure but it should be carried out at least annually, linked to full year financial results. More regular reviews (e.g. every six months or less) are recommended for public sector dependent suppliers and suppliers that contracting authorities assess as critical for their services. Ongoing 'alert' systems should be established to monitor company announcements and other information sources.

The outcome of financial monitoring should be discussed with contract managers and, where appropriate, reassurance and additional information should be sought from the supplier. Where monitoring and follow-up suggest a raised level of concern, contract managers should ensure their contingency plans are up to date and consider what further action or monitoring is required.

Compliance confirmation

The financial thresholds we require suppliers to meet during the lifetime of new critical contracts will include the financial tests conducted during procurements. We will also require the boards of suppliers of new critical contracts to confirm annually that they continue to meet these thresholds.

Before contract award, we require suppliers to warrant their credit ratings, where these are available, and financial standing. They also need to confirm that there are no financial distress events that they are aware of.

Public sector dependent suppliers

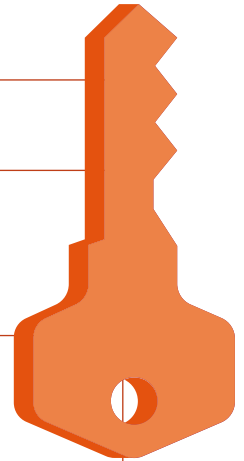
We also work jointly across government to manage risks to the delivery of public services and works posed by public sector dependent suppliers. The Cabinet Office Markets and Suppliers team should be notified whenever departments are planning to terminate a construction contract with a public sector dependent supplier.

Standard clauses will be available as part of the boilerplate clauses (see chapter 6). These require suppliers to confirm annually whether they are public sector dependent suppliers. They may also be required to provide resolution planning information.



Key points

1. Resolution planning helps ensure continuity of critical projects and their orderly transfer to a new supplier in the event of supplier insolvency.
2. When reviewing suppliers' Service Continuity Plans for critical contracts, ensure they include a supplier insolvency continuity element. Make sure exit plans and exit information cover emergency exit arising from supplier insolvency.
3. Put in place our own contingency plans for critical contracts, with involvement from suppliers, keep them up to date and make sure they cover the risk of supplier insolvency.
4. Ongoing financial monitoring enables early identification of possible problems and the opportunity to test contingency plans before they are needed.
5. When considering the mitigation of risk against potential supplier insolvency, it is important to consider proportionality and the wider impact on suppliers and competitiveness.



Want to know more?

1. **[Resolution Planning Guidance Note](mailto:resolution.planning@cabinetoffice.gov.uk)**. Support is available from the Cabinet Office via resolution.planning@cabinetoffice.gov.uk
2. **[Contingency plan template](#)**.
3. **[Assessing the Economic and Financial Standing of Suppliers Guidance Note](#)**.
4. **[Corporate Financial Distress Guidance Note](#)**.



11 Successful Relationships

We need to consider how we will work with suppliers throughout the lifecycle of projects and programmes to achieve contractual outcomes including effectively managing contracts.

Driving better, faster, greener delivery



- Acting together with suppliers drives mutual understanding and helps to solve problems more effectively, leading to better and faster delivery.
- Good contract management focuses on delivering intended outcomes and wider value, and enables prompt problem solving to unblock issues and improve delivery.
- Strategic supplier relationship management can unlock additional value and innovation.

Contracting authorities should place significant importance on the relationships they create with their supply chains at an organisational and portfolio-level. Due to the high-value and complicated nature of many public works projects and programmes, these will often require a strategic supplier approach to achieve value for money.

Within a strategic framework, the nature of the relationship between an organisation and supplier should be tailored to individual projects and programmes. This means thinking about the specific type of relationship and engaging early with the market while following the principle of using standard

forms of contracts (see chapter 6). Delivery teams, designers and contract managers should be involved early in the process to support commercial and contract design and the transition from procurement to delivery, ensuring adequate time is allocated for each stage. Strategic decision making for contract management needs to recognise the need for resource and capacity and the benefits and drawbacks of different approaches.

Effective contract and portfolio management

Projects and programmes should be built on a robust contractual relationship overseen by an appropriately qualified contract manager with a clear operational understanding of the contract.

How a contract will be managed is a key strategic decision which needs adequate consideration early in the procurement process and should be reflected in the contractual agreement. In line with the expectation to adopt a portfolio approach for procuring projects and programmes, contracting authorities should consider a strategic portfolio approach to the management of contracts (see below on strategic supplier relationship management).

“ Acting together with suppliers drives mutual understanding, improves delivery and helps to solve problems more effectively.”

Strategic decision making for contract management needs to recognise the need for resource and capacity and the benefits and drawbacks of different approaches.

Good contract management involves a wide range of activities. Contract management should be a specific role carried out by an individual with the correct skill set, as part of a wider commercial team. Government's most important contracts should be managed by an expert practitioner or contract manager as set out in the **Contract Management Professional Standards framework**.

Contract managers should be involved in the procurement process as early as possible to properly leverage their skills and experience.

Building and maintaining supply chain relationships

As outlined in the Supplier Code of Conduct, acting together with suppliers drives mutual understanding, improves delivery and helps to solve problems more effectively.

A good approach is to consider the following questions:

- What type of relationship have you had previously with suppliers for similar projects and programmes? Did it drive the intended outcomes?

- Have you engaged with the market and senior internal stakeholders to understand what type of relationship may be most appropriate for your project or programme?
- Does your evaluation strategy align with the intended supplier relationship?
- Do your contract terms, including risk allocation, liabilities, payment and incentive structure, approach to sustainability (or decarbonisation) and contract management processes align with the relationship you want to achieve?
- Is there flexibility within the contract to enable the type of relationship to change if required?

For all types of relationships, clear and agreed reporting change management, conflict avoidance and dispute resolution mechanisms are a critical success factor, including, where appropriate, how allowable costs will be managed. These are included in standard forms of contracts (see chapter 6). It is also important that parties are clear at the outset of the relationship what KPIs will be applied at each stage of the contract, and how social value and GHG emissions should be reported and monitored.

Relationships are often not only between a contracting authority and their supply chain. A wide range of supporting parties including consultants may play key roles in successful project delivery and should be considered in the overall approach.

For more complex projects and programmes, experience has demonstrated that a partnership model with the principles of collaboration, openness, transparency and flexibility based on contractual delivery can be beneficial in driving successful outcomes and innovation. Critical success factors of a partnership model include a focus on delivery by both partners, clear roles and responsibilities, a shared understanding of how to resolve disputes and a collaborative culture. This includes:

- the co-location of employees
- shared common reporting to aid transparency
- developing joint-partnership principles and adopting a one-team 'win-together, fail-together' approach
- executive sponsorship by both parties, with a senior single point of contact who oversees the holistic relationship
- ensuring that the individuals have the necessary knowledge and training to undertake their responsibilities for the project or programme

Projects and programmes should start with an initial workshop, bringing together the delivery team, leadership, and key stakeholders to set expectations on standards, behaviours and ways of working, align success measures and objectives, and outline how the individual project is supporting an organisation's goals. These workshops should be proportional in length

and complexity to the size of the project and existing relationships, and should be followed up with regular engagement throughout the delivery phase.

Strategic supplier relationship management

Where a significant contract has been placed or a contracting authority has several important contracts with a single supplier, they should consider if the supplier now qualifies as strategic at an organisational level. If so, a strategic supplier relationship management approach should be utilised. Contracting authorities should consider how they can adopt a strategic supplier relationship management approach in their organisation to drive win-win benefits.

In practice, this means:

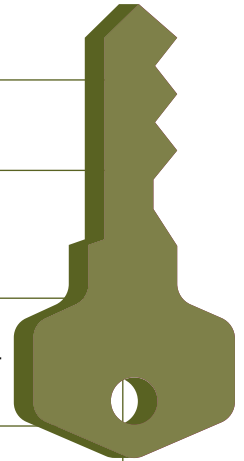
- value creation beyond that originally contracted
- managed engagement at an executive level
- joint strategy development, objectives and planning
- collaborative behaviours and working
- relationship measurement and monitoring
- management of aggregated performance and risk

In addition to an organisation's own management of its suppliers, the Markets and Suppliers team in the Cabinet Office is responsible for maintaining relationships with the government's strategic suppliers, to improve supplier relationships and create value. If you have contracts with government strategic suppliers, you should engage with the Markets and Suppliers team regularly to ensure that you are aligned with government's overall objectives.



Key points

1. Effective contract management is essential to drive value for money and deliver successful contractual outcomes.
2. Government's most important contracts should be managed by an expert or practitioner accredited contract manager as set out in the Contract Management Professional Standards framework.
3. Engage with the market and senior stakeholders to consider what type of relationship is most appropriate for your project and use this to inform your choice of procurement procedure and contractual model.
4. A strategic supplier relationship management approach can improve the delivery of objectives and increase mutual value beyond that originally contracted.



Want to know more?

1. **[Supplier Code of Conduct.](#)**
2. **[Contract management professional standards.](#)**
3. **[Foundation level Contract Management Training and Accreditation.](#)**
4. **[Strategic Supplier Relationship Management Guide.](#)**
5. Information on Crown Representatives and the government's strategic suppliers programme can be found on **[GOV.UK](#)**
6. **[ISO 44001:2017](#)** specifies requirements for the effective identification, development and management of collaborative business relationships.
7. **[Project 13.](#)**



12 Transition to Operation

We need to prepare early for operation by adopting a government soft landings approach and transparently evaluate the success of projects and programmes.

Driving better, faster, greener delivery



- A government soft landings approach should reduce time, cost and operational risk (including health and safety).
- Understanding what has worked on past projects and programmes will enable continuous improvement to drive better, faster, greener delivery in future.
- Close-out reports will provide greater transparency in how we are achieving outcomes and future reference for subsequent lessons learnt reviews.

A proportional government soft landings (GSL) approach supported by the UK BIM Framework should be applied to all public works projects.

The term ‘soft landing’ is typically used to reflect a smooth transition from construction into handover and close out and then into operation and end use in the case of infrastructure. However, a successful GSL approach is embedded across the project lifecycle and includes a period of extended aftercare to achieve the intended operating performance and benefits as early as possible. Operators should be engaged early and continuously in the process so that the final product achieves the intended outcomes and wider benefits as quickly as possible.

Early planning for operation

The first chapter set the expectation that all projects and programmes should invest time and resources in preparation. This guiding principle equally applies when we are approaching the completion of a contract and planning at the earliest stages is essential.

Exchanging data

A critical success factor for the effective completion and transition of a project or programme is the sharing of high quality and robust data between parties during the project lifecycle and into operation.

GSL supports the effective delivery and structured monitoring of performance of buildings and infrastructure during facility operation, ensuring this achieves the specified outcomes. This includes achieving a smooth transition of data (including project data such as risk management) through the project lifecycle into operation. A strategic approach

“ A critical success factor is the sharing of high quality and robust data between parties during the project lifecycle and into operation.”

to maintenance and operational information supports decision-making throughout design and construction. This should reduce time, cost and operational risk (such as health and safety risks).

Pre-handover

Before a project is signed off, it is critical to ensure that the public work is operationally ready to be used. This includes:

- as-built project information model delivered to the contracting authority; this should be provided to the standard consistent with the UK BIM Framework
- ensuring that contract management arrangements are in place and ready to be handed over
- information transferred from the project information model to the contracting authority's operator – end user orientation and training should be undertaken, ensuring familiarity with key operating systems
- handover of a digitised operation and maintenance manual including the CDM2015 Health and Safety file
- initial and extended aftercare plans in place and team mobilised

It is good practice to complete a readiness review before transitioning to operation (also known as a Gateway 4 review). This should test how ready an organisation is to implement required business changes, ensure that correct contract management arrangements are in place and how performance will be evaluated on an ongoing basis.

Where appropriate, contracts should be written to include clear expectations for completion, maintenance and transition arrangements, including obligations on the supplier to supply data and information back to the contracting authority at the end of the contract. There should be a clear understanding of how maintenance will be managed in a timely and efficient manner as set out in the contract.

Contracting authorities and suppliers should work together to ensure that there is an agreed and streamlined process to wrap-up contracts at the end of a project, including any final payments and the timely resolution of any outstanding snags or defects.

To ensure continuity and successful transition, it is key that the right resource remains on a project through to completion and handover, and does not move off early due to budget constraints or to deliver other projects.

Evaluating and sharing success

To drive better, faster and greener delivery in future projects and programmes, we need to collect systematic and robust data to understand what went well and where we can improve. All projects and programmes should submit out-turn cost, schedule and GHG emissions data to the IPA benchmarking hub.

Evaluation should focus both on whether a project or programme has delivered the construction phase successfully and into operation. For example, a building may have been completed on schedule and to budget but it is also important to evaluate whether it meets the requirements of the end user through operation and the wider impacts of the project. This should be linked back to the outcomes set out in the Project/Programme Outcome Profile.

For infrastructure projects and programmes on the GMPP, as set out in the National Infrastructure Strategy, there is a requirement to publish a close out report within 6 months of completion. This will report on out-turn cost and schedule and identify best practice and lessons learned to apply to future projects. These reports should also cover the social value delivered by the project or programme, including sustainability impacts and whether it has achieved reductions in GHG emissions during the construction phase and whether it is on target to achieve the projected performance over the lifecycle of the assets delivered. These projects will also be required to publish an evaluation of their long-term economic and social benefits between 5 and 10 years into operation. This will enable contracting authorities to compare performance and outcomes to priorities and metrics agreed in the business case and set out in Project/Programme Outcome Profile.

Lessons learnt

Lessons should be captured throughout the life of a project and programme, shared with appropriate parties and fed back into delivery throughout to improve processes and speed up delivery. Lessons should also be captured from the contract management of a project or programme and should be applied to improve delivery.

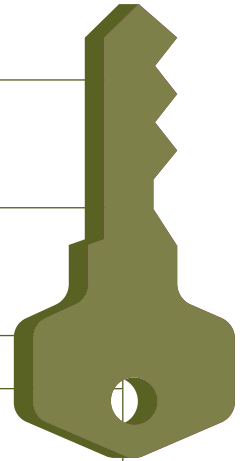
Feedback, stories and case studies should be published to share learnings across the public sector. This will drive continuous improvement and the better, faster and greener delivery of public works projects.

Lessons learnt reports should be shared with the Cabinet Office sourcing programme via markets-sourcing-suppliers@cabinetoffice.gov.uk



Key points

1. A proportional government soft landings (GSL) approach supported by the UK BIM Framework should be applied for all design and construction projects.
2. Before a project is signed off, it is critical to ensure that the public work is operationally ready to be used and it is good practice to complete a readiness review before implementation.
3. All projects should submit out-turn data to the IPA benchmarking hub.
4. Lessons should be captured throughout the life of a project and programme, and shared throughout to improve processes and speed up delivery.



Want to know more?

1. **GovS 008: Commercial Functional Standard.**
2. **The Green Book:** appraisal and evaluation in central government.
3. **Government Soft Landings Revised guidance for the public sector on applying BS8536 parts 1 and 2.**
4. **OGC Gateway Process Review 4: Readiness for service.**
5. **OGC Gateway Process Review 5: Operations review and benefits realisation.**

About this document

Key terms

1. **Public works project/programme** – All building, civil engineering, construction or infrastructure, including refurbishments and retrofit. The construction of equipment, excluding goods, is in scope.
2. **Contracting authority** – All public sector bodies procuring public works (excludes devolved administrations). The Construction Playbook is mandatory for central government departments and ALBs on a 'comply or explain' basis recognising that there is not a one-size-fits-all approach for all public works. The wider public sector is encouraged to take account of the Construction Playbook.
3. **Departments** – Used where a point is specific to central government departments and ALBs.
4. **Should** – The Construction Playbook, and all principles and policies contained within it, is mandatory guidance to be implemented on a 'comply or explain' basis (see 'Contracting authority'). This will be enforced through spending controls and appropriate governance and approval processes for central government and ALBs.

Who is the Construction Playbook for?

The Construction Playbook is aimed at Commercial, Finance, Project Delivery, Policy and any professionals across public sector contracting authorities who are responsible for the planning and delivery of public work projects and programmes.

The principles and policies have been co-developed with input from public officials and industry stakeholders. They can be considered good practice for all professionals involved in public works projects and programmes across the public sector. The Playbook will be supported through further guidance and engagement materials in 2022 as part of the implementation programme.

Experience has shown us that successful project delivery requires cross-functional working bringing together different professional areas of expertise. The key is ensuring that we have joined-up teams with input from the right functions early in the process. Pipeline reviews can help to facilitate early planning and identify opportunities for more collaborative working.

Figure 4 provides an analysis for the 14 key policies mapped against functional groups. This should be considered a guide to support contracting authorities in implementing the

Construction Playbook and may vary in different contracting authorities depending on their structure.

Ministers, Permanent Secretaries, Accounting Officers, Commercial Directors, project sponsors and SROs will also find this Playbook useful when acting as decision makers or approvers, or when conducting checks within the capacity of scrutiny and assurance.

Figure 4. Analysis of roles and responsibilities across the 14 key policies. OKUA stands for:

- **O**wnership. Individuals within the

function lead the activity and have overall responsibility for it. **J-O** is used where ownership is split across a number of functions.

- **K**nowledge. Individuals within the function are the subject matter experts on at least one element of the activity.
- **U**nderstanding. Individuals within the function understand what the activity is and what good looks like.
- **A**wareness. Individuals within the function know what activities are required and who is responsible.

		Key policy areas													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
		Commercial Pipelines	Market health and capability assessments	Portfolios and longer term contracting	Harmonise, digitise and rationalise demand	Further embed digital technologies	Early supply chain involvement	Outcome-based approach	Benchmarking and Should Cost Models	Delivery model assessments	Effective contracting	Risk allocation	Payment mechanism and pricing approach	Assessing the economic and financial standing of suppliers	Resolution planning
Functions		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Commercial		O	O	O	J-O	K	O	K	J-O	K	J-O	J-O	J-O	J-O	O
Finance		U	U	U	U	A	A	A	J-O	U	U	K	K	J-O	K
Programme and operations including Project Delivery, Digital, Property, HR		K	U	K	J-O	O	K	K	U	J-O	K	J-O	J-O	U	U
Policy		A	A	K	K	K	U	O	U	K	U	U	U	A	A
Legal		Legal need awareness of the legal obligations throughout the project or programme lifecycle													
Other functions including Audit, Comms, Security		Other functions will depend on individual projects													

What is the scope of the Construction Playbook?

The Construction Playbook applies to all public works projects and programmes, including building, civil engineering, construction and equipment projects. It describes what should be done from policy inception through to transition and operation, and sets out a best practice framework to achieve better, faster, greener delivery and improved outcomes. This framework should be embedded through the structure of an organisation from governance through to the delivery of individual projects and programmes.

This Playbook is mandatory for central government and ALBs on a 'comply or explain' basis recognising that there is not a one-size-fits-all approach for all public works. The wider public sector is encouraged to take account of the Construction Playbook. It applies to all new projects and programmes. Figure 5 sets out the actions contracting authorities and suppliers should take in adopting the Construction Playbook.

Where the planning and preparation of projects and programmes is already underway or there are existing frameworks in place, contracting authorities should adopt a pragmatic approach to embedding the Construction Playbook by taking all reasonable steps to embed the principles and policies at the appropriate stage of development. There is not an expectation to restart in-train projects and programmes or re-let existing frameworks.

The Construction Playbook is part of a wider portfolio of sourcing playbooks developed by the Cabinet Office. Guidance on the delivery of public services is available on [GOV.UK](https://www.gov.uk). The Sourcing Programme can support contracting authorities in deciding which Playbook is most appropriate for their project.

Framework agreements (and dynamic purchasing systems) for public works are in-scope of the Construction Playbook, and should be set up in accordance with the principles and policies set out.

Complexity and proportionality

All of the principles and policies set out in this Playbook should be applied proportionately to the complexity and significance of each project or programme.

Contracting authorities should have systems and governance forums in place to determine their most important contracts. Typically, the greater the complexity, cost and risk, the more important a project or programme will be and the more robust and rigorous a process is required to successfully set up, procure and manage it.

The principles set out in the HM Treasury approvals process provide a guide for characteristics of more complex and significant programmes and projects that:

- are above delegated authority limit and could create pressures leading to a breach in departmental expenditure limits or administration cost limits
- would entail contractual commitments to significant levels of spending in future years for which plans have not been set
- could set a potentially expensive precedent



- are novel and contentious, or could cause significant repercussions, posing risks to the public sector
- require primary legislation, or Treasury consent as a statutory requirement

In addition, the IPA has developed a Delivery Environment Complexity Assessment as part of the **IPA Routemap** to assess complexity.

For more complex and significant projects, contracting authorities should:

- consider a greater proportion of ‘front end loading’ by implementing robust project planning, design and preparation for project execution in the early stages of the project and programme lifecycle
- contract for ESI
- consider an alliancing-based approach
- develop a detailed and multi-stage Should Cost Model covering both whole life cost and schedule
- embed a whole life carbon approach early in the identification and selection of solutions
- have an expert or practitioner-level contract manager in place

Chapter 4 provides further guidance on compliance and approvals.

Contacts

Contracting authorities and industry are encouraged to reach out where parties are not approaching projects and programmes in the spirit of this Playbook. For further information or to provide feedback on the Construction Playbook, please contact the Cabinet Office Sourcing Programme at **markets-sourcing-suppliers@cabinetoffice.gov.uk**

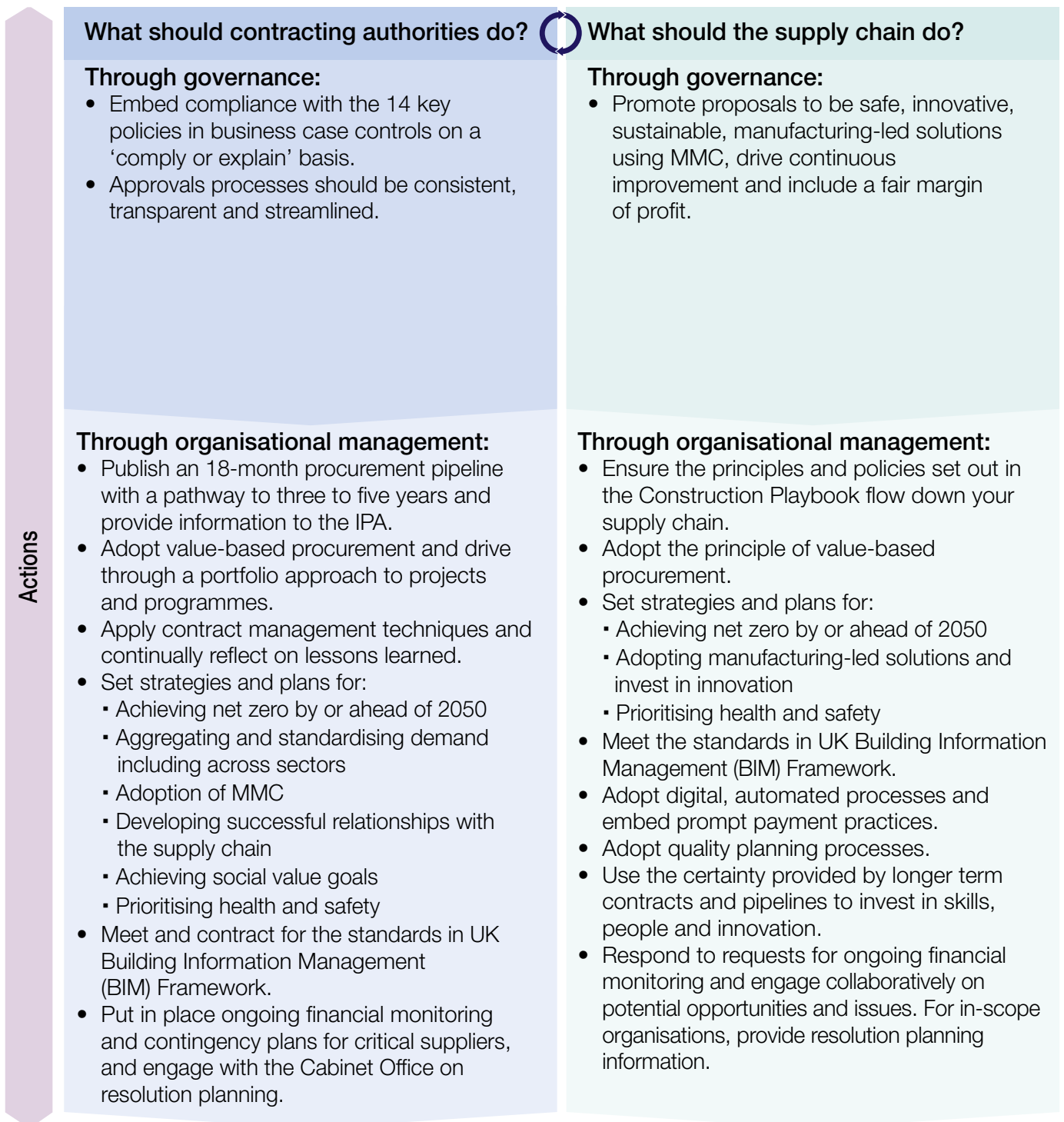
This Playbook will be updated annually to respond to feedback and ensure that it continues to represent best practice.

Where a supplier has any concerns about public procurement practice or compliance to government policy, the Public Procurement Review Service is available.

The **Public Procurement Review Service** provides a clear, structured and direct route for suppliers to raise concerns anonymously about public procurement practice and provides feedback to enquirers on their concerns.

Delivering the Construction Playbook

Figure 5. Sets out what contracting authorities and the supply chain should do to adopt the Construction Playbook.



Where a portfolio approach is adopted, many of the activities at a project or programme level will be completed at portfolio level.

What should contracting authorities do?

Through portfolios

- Review future work (at least quarterly) to identify opportunities to bring together works into portfolios of longer term contracts.
- Consider approach to wider value generation across portfolios to meet strategic value drivers including social value, risk management and data.
- Create and implement 'Gold Standard' frameworks, framework contracts and action plans.
- Leverage contracts to create and deliver new skills, local employment and sustainability benefits.

Through projects and programmes:

- Put in place an appropriately experienced SRO and resourced cross-functional team.
- Adopt collaborative ways of working to create a 'one-team' ethos with all parties.
- Consult widely and encourage broad participation from the market, particularly with SMEs.
- Complete market health and capability assessments.
- Set clear and appropriate outcome-based specifications, and use a Project/Programme Outcome Profile.
- Contract for early supply chain involvement.
- Complete a delivery model assessment.
- Undertake benchmarking of key project deliverables including cost, schedule, carbon and agreed outcomes, and use these as inputs to Should Cost Models.
- Develop sustainable contracts which pay fair returns and drive long-term positive relationships.
- Use standard contracts with the boilerplate clauses.

What should the supply chain do?

Through portfolios

- Consider approach to wider value generation across portfolios including; social value, delivering new skills, local employment and sustainability benefits, as well as through risk management and the capture and use of data.
- Demonstrate continuous improvement in productivity and cost through the life of the project or programme.
- Create and implement 'Gold Standard' supply chain frameworks, framework contracts and action plans.

Through projects and programmes:

- Put in place an appropriately experienced SRO and resourced cross-functional teams to meet the expectations set out by the contracting authority.
- Adopt collaborative ways of working to create a 'one-team' ethos with all parties.
- Engage early and extensively with contracting authorities to co-develop solutions.
- Develop safe, innovative, sustainable, manufacturing-led solutions using MMC and drive continuous improvement.
- Bid with a fair margin baked in.
- Risks should be managed by those best able to bear and manage them. Payment mechanisms and pricing approaches should reflect the level of risk and uncertainty in scope of the requirement.
- Provide financial information as set out by the contracting authority.
- Work with the contracting authority to ensure there is an agreed process to wrap-up contracts including the transfer of robust data to contracting authority (or their operator).

Principles and policies in practice

Case studies

The Construction Playbook brings together best practices from across the public and private sector to set out what we should consistently do in future. There are many examples of where we have followed a number of the principles and policies in this Playbook in the past.

To support practitioners in understanding how to implement this Playbook we have collated a number of case studies which are available to public sector organisations.

Further information on the case studies is available via [**markets-sourcing-suppliers@cabinetoffice.gov.uk**](mailto:markets-sourcing-suppliers@cabinetoffice.gov.uk)

Implementation

Implementing the Playbook has begun but this is a journey the whole of government will walk together to improve the way we deliver projects and programmes. The government has committed to a multi-year implementation period to drive improvement on a 'comply or explain' basis recognising that there is no one-size-fits-all approach.

The Cabinet Office will develop materials to support implementation including a series of e-learning modules which will be available on [**Government Commercial College**](#)

Further information on implementation is available via [**markets-sourcing-suppliers@cabinetoffice.gov.uk**](mailto:markets-sourcing-suppliers@cabinetoffice.gov.uk)

