



## Infrastructure delivery models to be reformed

A Government report by Infrastructure UK (IUK) today set out a detailed Implementation Plan to reduce infrastructure construction costs by £2 to £3 billion each year.

The Implementation Plan sets out a detailed programme of activity through 2011 and beyond to realise the savings which were first identified in the Infrastructure Cost Report of December 2010.

The key elements of the Implementation Plan are:

- A charter between the construction industry and Government that sets out the behaviours expected in future relationships.
- Detailed measures that build on those announced by the Chancellor in Budget 2011 and Plan for Growth last week which will:
  - improve the ability of industry to plan effectively, by Government publishing a rolling forward programme for investment;
  - encourage greater innovation by introducing new models of competition and procurement;
  - increase industry confidence by developing more effective governance for public sector projects and programmes;
  - reduce waste, for example by establishing a common set of principles for the management of contingency budgets; and

- improve value for money by establishing a data group between the public sector and industry practitioners to develop the extended use of cost benchmarking in infrastructure delivery.
- A Joint Programme Management Board to be chaired by Paul Morrell, the Government's Chief Construction Adviser, which will ensure that the activities are implemented consistently with measures across the wider public sector.

These measures are focused on economic infrastructure; mainly civil engineering works in the water, waste, transport, energy and telecommunications sectors. Implementing them will contribute to the Government's wider commitment to reform the way in which it procures public sector construction and infrastructure to reduce costs by up to 20 per cent. The Government will be publishing further detailed measures relating to wider public sector construction and procurement before the end of May 2011.

Infrastructure UK will continue to lead the implementation plan, working across Government and with industry to help deliver the benefits in ongoing projects and programmes, as well as future investment. Infrastructure UK is already working with the Highways Agency, High Speed 2, the Environment Agency and with private sector companies in the water industry to help embed new practice in forthcoming major programmes.

Lord Sassoon, Commercial Secretary to the Treasury, said:

"Investment in the UK's infrastructure is running at about £40 billion a year. We must ensure that we use public funding more efficiently and the Infrastructure Cost Review has identified savings of up to £3 billion a year. This report provides detailed measures that will unlock these savings, redefining the way in which Government, regulated utilities and the construction industry do business together."

Paul Skinner, Chairman of the Infrastructure UK Advisory Council, said:

"Reducing the costs of infrastructure is a core activity for IUK and a key element in the National Infrastructure Plan. I welcome the Government's commitment to realising the benefits available as set out in the plan published today. There is a lot of hard work still

to do across Government, but a real opportunity to make a step change in the way in which infrastructure is delivered.”

The report was welcomed by key industry players, including Darren James, Managing Director of Costain:

“Costain welcomes the publication of this Infrastructure Cost Plan and we look forward, together with our industry colleagues, to working with Government to deliver the benefits from the wide ranging improvement objectives set out in this report. The actions in this plan represent an excellent opportunity for the whole construction industry to improve the efficiency in delivering infrastructure projects and to develop more effective relationships throughout all levels of the supply chain.”

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### **Notes for Editors**

1. IUK is a unit of the Treasury focused on enabling greater private sector investment in infrastructure and improving the Government’s long term planning, prioritisation and delivery of infrastructure. Further details are in the National Infrastructure Plan and on the Treasury’s website: [http://www.hm-treasury.gov.uk/iuk\\_cost\\_review\\_index.htm](http://www.hm-treasury.gov.uk/iuk_cost_review_index.htm).
2. IUK published the first National Infrastructure Plan in October 2010 that identified £200 billion of public and private investment in the UK’s economic infrastructure planned over the subsequent five years. About 60% of this investment is already made through the private sector and this proportion is expected to rise, particularly as a result of growth in energy sector investment.
3. IUK published its Infrastructure Cost Report on 21 December 2010, which concluded that costs of delivering infrastructure in the UK are excessively high and that very substantial savings are achievable, worth an estimated £2-3 billion per annum. The construction element of infrastructure investment is worth about £15-20 billion per annum.
4. The President of the Institution of Civil Engineers (ICE) has today announced the names of industry “champions” who will be the focus for ongoing collaboration between the Government and industry, hosted by the Institution of Civil Engineers, to ensure that these

measures become embedded in practice. The industry champions will be Simon Kirby, Professor Brian Collins and Stephen Fox.

### **Support from industry and government**

5. Peter Hansford, President of ICE, said:

“The Institution welcomes this implementation plan and has been delighted to be a part of the stakeholder group that has worked with IUK to develop it. For these measures to be successful it will require the public and private sectors to continue to work together and ICE will be coordinating a series of implementation groups, each headed by a “champion” drawn from across industry. These designated working groups will be the focus for collaboration going forwards.”

6. Paul Morrell, the Government’s Chief Construction Adviser, said:

“Government is striving to speak with a coherent voice to the construction industry, whilst recognising the different challenges that face different sectors - in infrastructure, house building and the wider built environment. Developing the joint programme board will enable this essential programme for infrastructure reform to be implemented in a way that is integrated with wider initiatives for construction as a whole.”

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