

INTRODUCTORY NOTE

Aim of the Construction Procurement Manual

This Manual provides the Scottish Government's Directorates General, Associated Departments, Agencies and most sponsored bodies with **mandatory policy and procedures for construction works projects** that will deliver value for money (VFM).

The Construction Procurement Manual should be considered applicable to all bodies which are subject to the [Scottish Public Finance Manual](#). This includes:

- the Scottish Government (including Agencies);
- non-ministerial offices of the Scottish Administration;
- the Forestry Commission (in respect of its activities in Scotland);
- the Scottish Parliament Corporate Body; and
- sponsored bodies.

As well as setting a policy and procedural framework for those parts of the Scottish Government with ongoing capital programmes (for example in trunk roads, accommodation, prisons, courts and historic buildings), it will be particularly beneficial to the occasional or first time Client who has little or no knowledge of the construction industry in general, or procurement of buildings specifically. It will also be of value to those who have some background in construction procurement or who have previously acted in one of the 'Client' roles but who may be unaware of recent developments within the industry, current initiatives, new or amended legislation or procurement policy changes. **Ideally, the Manual should be used in tandem with a programme of formal or informal training in one of the Client roles.**

Investment Decision Makers, Project Owners and, in particular, **Project Sponsors** need to become familiar with the contents of the Construction Procurement Manual **before taking up their responsibilities.**

Those who sponsor Non-Departmental Public Bodies or other funded bodies also need to be familiar with its contents and with their own responsibilities as Clients. They should bring the Manual to the attention of these bodies and should ensure that policy and procedures consistent with the Manual are followed. Arrangements governing the control of major investment projects should, where appropriate, be incorporated into a sponsored body's financial memorandum/management statement. Sponsor Directorates General should review the working of these arrangements, from time to time, to satisfy themselves that they provide for adequate management of such projects.

Why do we need a manual?

Following the review of the construction industry in 1994 by Sir Michael Latham, the Efficiency Scrutiny of Government construction procurement in 1995 and Sir John Egan's Construction Task Force report 'Rethinking Construction' in July 1998, there has been considerable emphasis on the role of the Client in achieving excellence in the procurement of products and services, ensuring that objectives are fully met and VFM secured.

As a result, much guidance has been published by organisations within the construction industry itself and also by Government. The volume of guidance available can be confusing even to those who are regularly involved in construction, let alone those with little or no previous experience, called upon to act in a Client role for a major construction project. This Manual has therefore been compiled by the Construction Advice and Policy Division of the Scottish Procurement Directorate (SPD) to draw together key policy principles and procedures from many sources. It is intended to be of immediate relevance to those who are required to perform in one of the specific Client roles. This Manual describes the professional support and training that are available at various stages of a building project to help Clients to achieve their objectives.

What's in the Manual?

Included is:

- A section containing links to the [Appraisal and Evaluation](#), [Major Investment](#) and other sections of the [Scottish Public Finance Manual](#) which outline the mandatory policy principles and procedures to be followed when undertaking investment appraisal and the subsequent financial management of major investment, including construction projects. A link is also provided to [Finance Guidance Note 2004/03: Delivery of Acquisition-based Programmes and Projects](#);
- A section containing links to the [Scottish Government's Procurement Policy Handbook](#) which sets out the fundamental rules, behaviours and standards applicable to public procurement activity in Scotland; to the [Scottish Government's Procurement Policy Manual](#), which sets out the Scottish Government's procurement policy; to the [Scottish Government's Procurement Toolkit](#) which explains the procurement process for the purchase of goods and services; and to [Scottish Procurement Policy Notes](#) and [Scottish Procurement Action Notes](#);
- An [Overview of Construction Works Procurement](#) which sets out the main characteristics and elements of construction works procurement; and
- The Scottish Government's Construction Works Procurement Guidance which provides mandatory best practice principles **in a context appropriate to the Scottish Government's needs**. It comprises nine sections:
 - **Section 1** explains the roles and responsibilities for the three key functions of **Investment Decision Maker**, **Project Owner** and **Project Sponsor** and describes the abilities and skills required;
 - **Section 2** sets out a framework containing the key activities essential for achieving value for money (**VFM**), including the carrying out of **Gateway Reviews**;
 - **Section 3** provides advice on **procurement strategies** and the appointment of consultants and contractors for works projects, including an emphasis on integrated **teamworking** and fee payment considerations;
 - **Section 4** provides advice on **budget estimates**, **budgets and cost management**, **risk management** and **financial reviews**;
 - **Section 5** provides advice on health and safety issues that need to be taken into consideration by clients when undertaking construction operations;
 - **Section 6** provides advice on design quality issues (including design competitions) that remain consistent with **VFM** principles and EC procurement rules;
 - **Section 7** provides advice related to the achievement of key sustainable development objectives through the procurement process;
 - **Section 8** provides advice on fire protection issues; and
 - **Section 9** lists sources of other related guidance, including guidance on specific aspects of the procurement process issued by the [Office of Government Commerce](#) and which remain relevant for works procurement.

Mission Critical and High Risk Projects

Throughout various sections of the Manual, reference is made to mission critical and high risk projects, particularly in the context of actions which Accountable Officers, **Project Owners** or **Project Sponsors** need to take in regard to such projects – for example, in ensuring that questions relating to ‘common causes of failure’ are addressed, in carrying out independent **Gateway Reviews** prior to key decision points, and in presenting an evaluated assessment of the risks associated with different procurement routes to Ministers.

A **mission critical project** is one that (irrespective of size, value or complexity) delivers outputs that directly support the delivery of a major policy outcome *or* that delivers an internal business change that supports the administration of the organisation (Scottish Government, Agency or funded body).

A **high risk project** typically displays some or all of the following characteristics:

- a novel or untested approach to delivery;
- lack of experience of similar project delivery;
- a complex matrix of project interdependencies;
- a significant impact on the public and other organisations;
- business criticality and/or political sensitivity; or
- a significant resource commitment.

What is SPD Construction Advice and Policy Division (CAPD)?

CAPD contains construction industry professionals who have experience in both the public and private sectors. It is responsible for the formulation of construction procurement policy and provides advice on a wide range of construction-related issues, including the procurement of new buildings/extensions and the refurbishment of existing property. It also provides advice within the Scottish Government on strategic, cost and **VFM** matters and on construction-related legislation, notably [Part 2 of the Housing Grants, Construction and Regeneration Act](#).

How can we help?

The task of assimilating and putting into effect all of the policy and procedures can appear daunting, especially for anyone about to undertake a Client role for the first time. It may be reassuring to know that these Client functions will not be carried out in isolation. Formal training is available together with professional support. Advice can be commissioned initially, and throughout the duration of the project, as appropriate.

Much of the published guidance is geared towards major projects – those with a total budget exceeding £2m (including professional fees and VAT). Whilst the general policy principles will remain the same for smaller projects, some of the procedures may be simplified in the interests of efficiency and proportionality.

As a part of the Client education process, it is important to ensure that there is management and technical competence of a level commensurate with the size and complexity of the project. With regard to major contracts, this implies the need in most cases for a certain degree of formal training in order to acquire an appropriate level of knowledge in the relevant areas. Guidance on the abilities and competencies required by the Client is contained in the Manual. Information on Client oriented procurement training programmes within the Scottish Government can be obtained from Corporate Learning Services. Depending on the nature of the project, professional advice and support can be provided at various stages, usually by a **Client Adviser**, a **Project Manager** and/or design, cost and other consultants. The selection process for the companies or persons who will perform these supporting and advisory functions will be important in achieving a successful outcome to the project.

Advice should be sought initially from CAPD who may also help Clients in procuring consultancy services at appropriate stages of the project, if possible.

Availability and updating the Manual

This Construction Procurement Manual is only available through the Scottish Government web site and CAPD's Intranet site. The contents of the Manual are reviewed continuously and amended, when necessary, to take account of new legislation, rules, procedures and guidance. You can also you're your views using this [form](#). Those reading printed hard copy of the Manual should check the content against the web site to ensure that they are referring to the current version.