



Construction Sector Transparency Initiative

UK Pilot Consultation: increasing transparency and accountability in procuring infrastructure

Public consultation report

May 2010



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1. Acknowledgements

This consultation was led by the UK CoST Multi-Stakeholder Group (MSG) and managed by the Institution of Civil Engineers. The members of the MSG are:

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2. Introduction and methodology

A 2006 study by the American Society of Civil Engineers estimated that 10% or \$400bn spent on construction worldwide is lost to corruption,¹ whilst the OECD reported that corruption in public construction contracts was widespread, and that the costs can exceed 20% of the contract value.² Corruption allows unnecessary unsuitable, defective and dangerous construction projects – buildings that collapse and roads that break up. Corruption also undermines the rule of law and hinders the development of strong accountable institutions that are essential for economic growth and social justice.

Public sector infrastructure projects make a major contribution to economic growth and poverty reduction, but mismanagement and corruption during the planning and implementation of construction projects can undermine the expected social and economic benefits. The effects of mismanagement and corruption are especially hard on the poor, who are most reliant on the provision of public services.

CoST is an international initiative designed to increase transparency and accountability in the construction sector supported by the UK government and World Bank. Launched in May 2008, the initiative is being piloted over a two and half year period in seven countries: Tanzania, Ethiopia, Zambia, Malawi, Philippines the UK and Vietnam.

The purpose of the consultation was to inform stakeholders (clients, industry and civil society) in the UK about this international construction transparency initiative and to seek their views on the UK pilot with the aim of improving its objectives and design.

A consultation background document was prepared to provide information to stakeholders on the aims and objectives of CoST, why it is necessary internationally and in the UK, how it works and why it is of benefit. Section 3 contains a summary of the background document.

A web survey was distributed to members of Association of Consultancy and Engineering (ACE), the Civil Engineering Contractors Association (CECA), the Institution of Civil Engineers (ICE) and the Royal Institute of Chartered Surveyors (RICS). It was also issued to civil society organisations via the Civic Trust Awards as well as the general public. Nearly 100,000 people in the UK were exposed to the consultation via direct electronic email shots, information about the consultation in e-newsletters, social sites (Facebook, Twitter, LinkedIn) and an article in the New Civil Engineer (NCE) magazine. The consultation lasted three months: It was launched at an event on 11 September and was closed on 10 December 2009.

180 people representing the industry and the public completed (at least partly) the online questionnaire in the time allowed. The data analysis took place and findings report for the MSG was produced in the last weeks of December.

The findings of this survey cannot be treated as statistically representative due to the methodology applied. The sample was based on respondent accessibility, it was not random, and the majority of the respondents represented the industry. However taking into consideration a good mix of respondents in terms of age, geographical location and stakeholder group, the findings are indicative and can be used to inform further decisions with a certain degree of confidence.

¹ American Society of Civil Engineers, July 31 2006, http://www.asce.org/pressroom/news/display_press.cfm?uid=2789

² Organisation for Economic Co-operation and Development Assistance Committee (OECD-DAC) (2005), Harmonising Donor Practices for Effective Aid Delivery. Vol 3: Strengthening Procurement Practices in Developing Countries, OECD, Paris.

3. Summary of the key findings

The MSG will discuss the key findings summarised below with each stakeholder group as part of its plan to raise awareness about CoST.

a. Public support for CoST

Public support for CoST is strong with over 90% public believing that the disclosure of project information will improve the transparency and accountability of publicly funded construction projects. A further 70% believe CoST will encourage civil society to make use of the disclosed information.

b. Some scepticism from industry

The construction industry is supportive of CoST with three quarters of respondents of the opinion that the disclosure of projection information will improve the transparency and accountability of publicly funded construction projects. However, there is some scepticism amongst industry respondents with only 40% believing that civil society will make use of the disclosures.

c. The public would like more information on visible infrastructure

The public would like more information on the visible infrastructure they use on a day to day basis such as power, transport, water, healthcare, housing and education. They are not as interested in less visible infrastructure such as sewerage systems, waterways and flood defence. In contrast, the private sector is more interested in technically challenging infrastructure such as roads, railways, sewerage systems, waterways and flood defence.

d. Internet is the medium for accessing project information

Stakeholders overwhelmingly access project information from the internet with the public preferring the client's website and the private sector preferring the project's dedicated website. Establishing a link between the client's and the project's site would probably be a quick win and solve the problem of the preferences as to where to publish and where to access information. The public does not access project information from the national press, political representatives or non-government organisations and yet 22% of industry representatives choose to use these media.

e. The most important and sensitive information is the least accessible

The survey indicated that the most important information to the public was most sensitive to the industry and currently the least accessible. The information related to the selection of the organisations responsible for delivering the project and the cost of the project.

4. Consultation background

a. Aim and objectives

CoST's aim is to enhance the transparency and accountability of public sector clients, and construction companies for the cost and quality of publicly funded construction projects. The core concept is to 'get what you pay for'. The 'you' in this context applies equally to government, affected stakeholders and to the wider public. The main emphasis of the pilot is on the period between the start and completion of the construction phase.

The Multi-stakeholder group has identified four objectives for the UK pilot:

- To learn lessons to inform the design of CoST internationally
- To learn lessons that improve transparency internationally through the disclosure of project information.
- An enhanced understanding of construction project costs amongst public sector clients, industry and wider society
- To learn and share lessons on publicly-funded construction project governance

b. Why is a UK CoST Pilot necessary?

In 2007, the government announced that it would be taking a lead in increasing transparency and accountability in the procurement of infrastructure by piloting CoST in the UK.

In 2006, the construction industry contributed 8.7% of the UK economy's gross value (GVA) worth over £100bn – twice that produced by the energy, automotive and aerospace sectors combined. The built environment – the roads, houses, offices, factories etc which represent the output of the industry – is estimated to account for some 70% of UK manufacture wealth. Hence, the ability to deliver projects successfully in terms of time, cost and design quality has a major impact on the economy's wider performance.³

The construction of better roads, schools and hospitals is vital of the provision of good quality public services as it creates the potential for improved outcomes for their users and an enhance standard of living.

The annual construction industry performance report produced by Constructing Excellence and Department of Business Innovation and Skills shows an improvement in the overall performance in 7 out of 10 indicators such as delivering projects on time and to the specified quality.

The construction of better roads, schools and hospitals is vital for the provision of good quality public services as it creates the potential for improved outcomes for their users and an enhanced standard of living.

In its 2008 report entitled 'Construction Matters', the House of Commons Business and Enterprise committee stated that 'overall, the construction industry is getting better at delivering a quality product for the client, and the proportion of projects completed on time has increased, but there remains significant room for improvement in finishing projects both to time and budget.'

³ House of Commons Business and Enterprise Committee: 'Construction Matters', Ninth Report of Session 2007-8
http://www.biwtech.com/cp_root/h/Media_Centre/Egan_survey_shows_progress/445

By disclosing and verifying project information, CoST provides a mechanism for enhancing transparency and accountability, and potentially improving the understanding of project costs for clients, industry and civil society. In 2006, a Chartered Institute of Building survey reported that 51% of those surveyed thought corruption in the construction sector was either extremely or fairly common. The survey illustrated that there were different perceptions of what constituted a corrupt practice such as cover pricing with 18% of respondents viewing it as extremely corrupt and yet 5% of respondents considered it not at all corrupt.⁴

c. How does CoST work?

CoST provides for the disclosure of material project information on a selection of construction projects at all stages of the project cycle. 'Material' in this context is intended to indicate that there is sufficient information to make informed judgements about the cost and quality of the infrastructure concerned.

The disclosed project information will be independently verified and assessed by an assurance team appointed by the MSG. The assurance team will prepare periodic reports, noting any cause for concern in these reports that will be disclosed to the public.

In the UK this process will be tested on 8 publicly funded construction projects, two each from Broadland Housing Association, Durham County Council, the Environment Agency and the Highways Agency. The results from testing the CoST process are expected in autumn 2010.

d. Who is involved in CoST?

An essential feature of CoST is the engagement of the wide range of stakeholders that are typically linked to publicly financed construction projects:

- Public sector clients, e.g. Highways Agency, local authorities etc
- Construction companies and associations
- Civil society organisations

The Multi-Stakeholder Group (MSG) that forms an important steering mechanism of CoST in each pilot country usually includes representatives from each of these groups.

e. Benefits to the UK

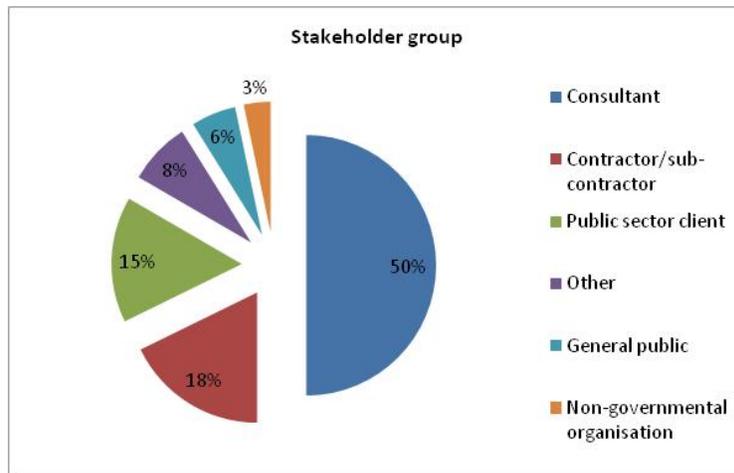
By piloting CoST, it provides an opportunity for UK public sector clients and the construction industry to demonstrate that it is committed to the highest levels of transparency and accountability in delivering construction projects. It assists to level the playing field within the industry and so be of benefit to the construction sector generally and serves as an example of co-operation between government, business, non-government organisations and wider society connected with the construction industry, supporting broader UK policy on corporate responsibility and international good governance.

⁴ Chartered Institute of Building: Corruption in the UK Construction Industry: Survey 2006

5. Research findings

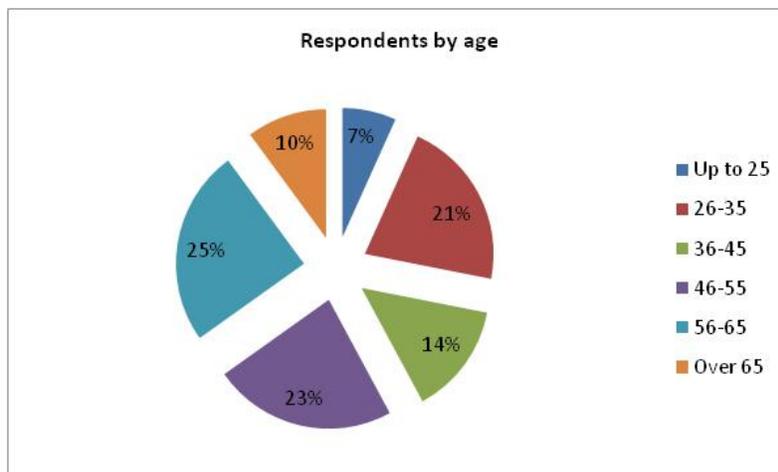
Respondent profile

The respondents were dominated by the representatives of the industry who in total constituted 83% of all them. Half of all the respondents were represented by consultants and only one in ten was a member of general public or a non-governmental organization. The 8 percent of the respondents, who qualified themselves as 'others', represented the academia, national advisory bodies and the legal sector.

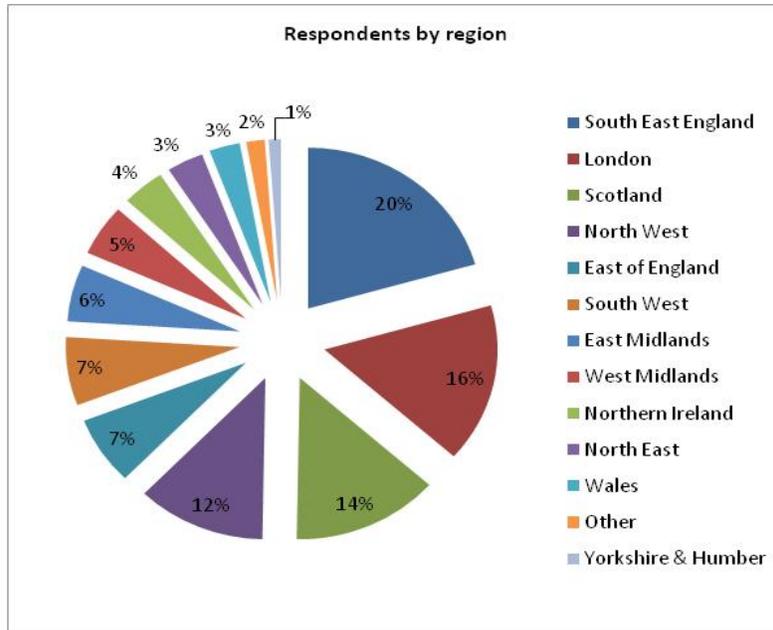


In terms of the gender split one in every ten respondents was female, which is a typical representation of women in the industry.

There was a good mix of ages and each age band was well represented. The incidence of younger as well as more senior respondents was quite high: 7 percent of the respondents were aged under 25 and 10 percent over 65.

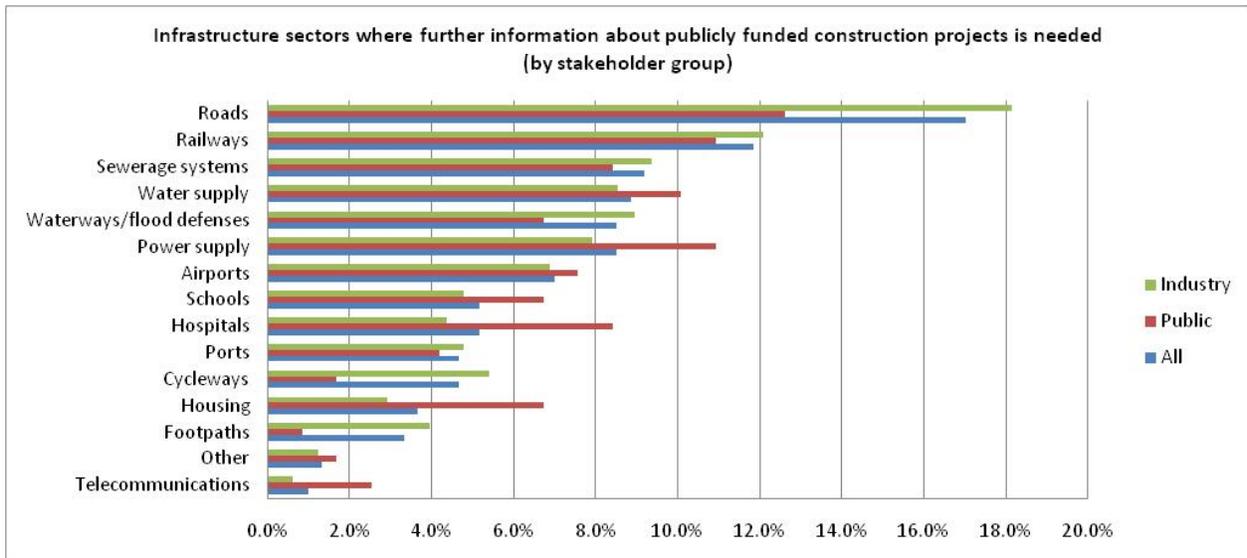


In terms of the regional diversity, 36 percent of the respondents were from South East England and London and 64% represented the remaining UK regions.



Further information about publicly funded projects

Roads by far scored highest in terms of further information needed for publicly funded infrastructure projects, with railways scoring second highest.



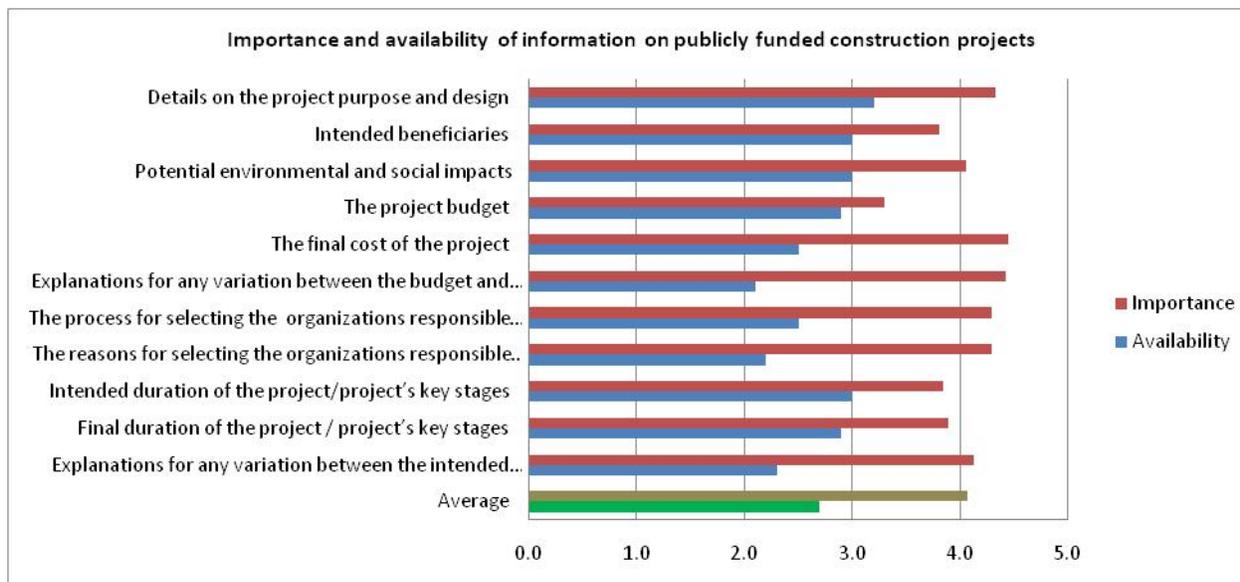
There were quite big differences in scoring between the public and the industry respondents. From the public perspective more information is required on the projects that they experience on everyday basis: power supply, transportation, water, health care, housing and education. The public is less interested in information on projects that affect their lives to a lesser degree or are less visible to them, such as sewerage systems, waterways or flood defences.

The projects that are technically challenging and/or high on the Government’s agenda, such as roads, railways, sewerage systems, waterways or flood defences, scored higher among the industry representatives.

Importance, availability and commercial sensitivity of information about publicly funded projects

The most important piece of information about publicly funded projects for the industry, scoring 4.5 out of 5, was ‘the explanation for any variation between the budget and the final cost of the project’. The public was most interested in ‘the final cost of the project’ (4.4). These two pieces of information were also the most sensitive followed by the project budget. They were also the least available information along with ‘the reasons for selecting the organisations responsible for project delivery’.

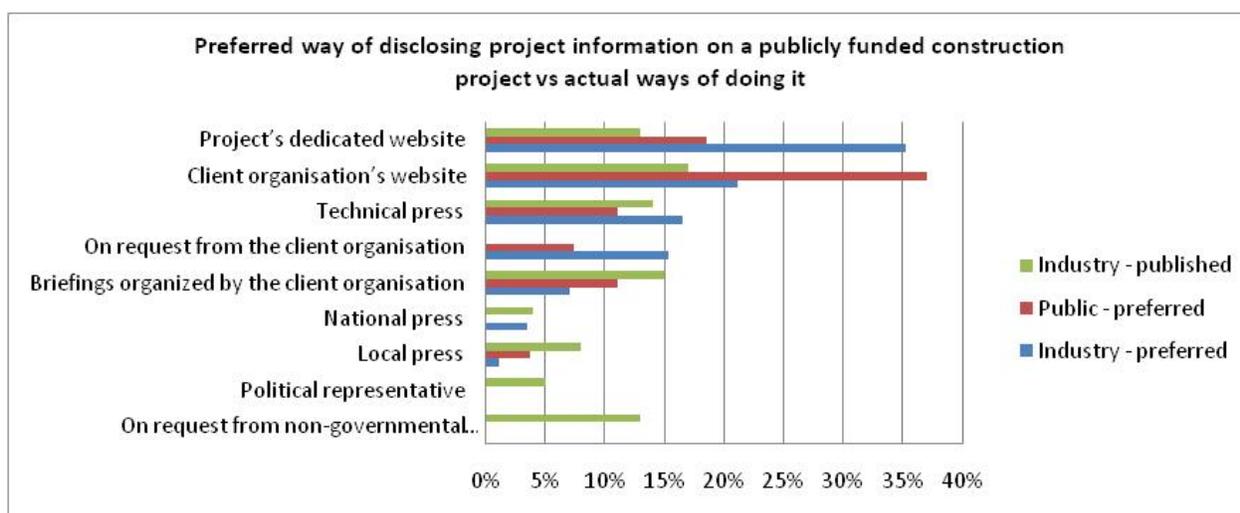
Importance, sensitivity and availability of information on publicly funded projects	A Importance public	B Sensitivity industry	C Availability public	A-C	B-C
Explanations for any variation between the intended duration and final duration of the project	3.9	2.7	2.2	1.7	0.5
Final duration of the project / project’s key stages	3.7	3.2	2.7	1.0	0.5
Intended duration of the project/project’s key stages	3.4	2.4	2.9	0.5	-0.5
The reasons for selecting the organizations responsible for project delivery	4.2	3.1	2.1	2.1	1.0
The process for selecting the organizations responsible for project delivery	4.1	2.8	2.4	1.7	0.4
Explanations for any variation between the budget and final cost of the project	4.2	3.4	2.1	2.1	1.3
The final cost of the project	4.5	3.3	2.6	1.9	0.7
The project budget	3.4	3.1	3.1	0.3	0.0
Potential environmental and social impacts	3.8	2.6	2.8	1.0	-0.2
Intended beneficiaries	3.6	2.0	2.8	0.8	-0.8
Details on the project purpose and design	4.0	2.3	3.0	1.0	-0.7
Average difference				1.28	0.2



Disclosure of information on publicly funded projects

What stands out are the significant discrepancies between where the public would like to access construction project information and where the industry publishes it or would prefer to publish it. This probably explains the gaps between information importance and availability: the use of the wrong media and the re-active stance of the information providers inhibit effective dissemination of the information on the public construction projects to the public.

The two most common ways of disclosing project information from publicly funded construction projects are client organisation's website and briefings organised by the clients (17 and 15 percent respectively). When it comes to preferred ways of disclosing the project information the online sources (client's organisation's website and project's dedicated website) scored 56 percent for both stakeholder groups: the public and the industry. The difference is that the public would prefer to access this information primarily from the client's organisation's website (37 percent) and then the project's dedicated website (19 percent), whereas the industry would prefer to disclose it the other way round: the project's dedicated website – 21 percent, and the client's organisation's website – 35 percent.



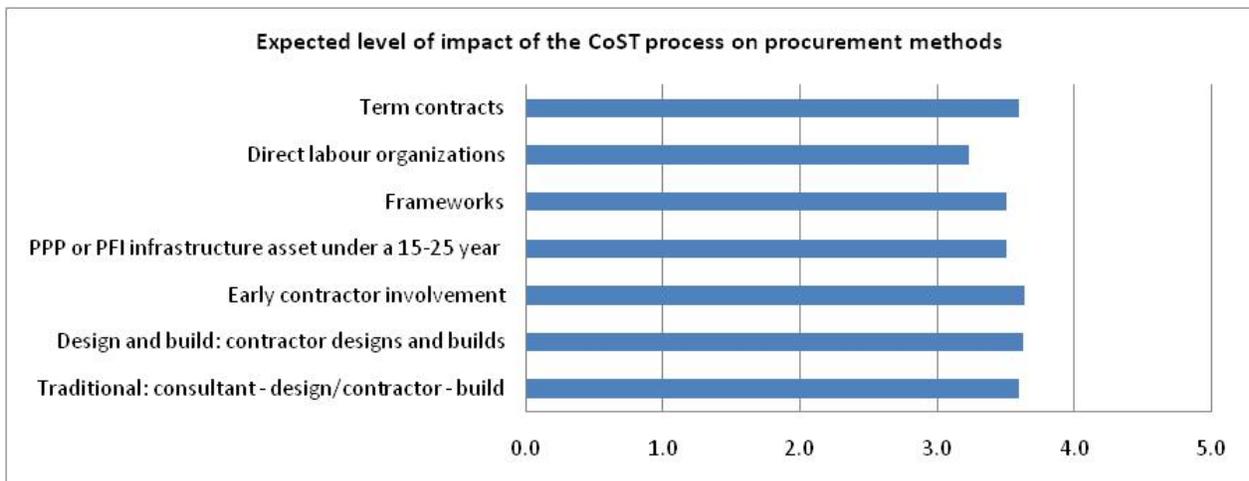
The good news is that the industry's intentions meet with the expectation of the public and the internet is perceived to be the medium of choice for disclosing and sourcing construction project information for both stakeholder groups. Establishing a link between the client's and the project's site would probably be the quickest win and solve the problem of the preferences as to where to publish and where to access information.

Interestingly technical press is a medium that is preferred by a similar proportion of the public and industry (11 and 16 percent respectively). What is also interesting is the fact that even though it is not the industry's preferred method (only 7 percent of the respondents), 15 percent of them publish project information through briefings organised by client organisations.

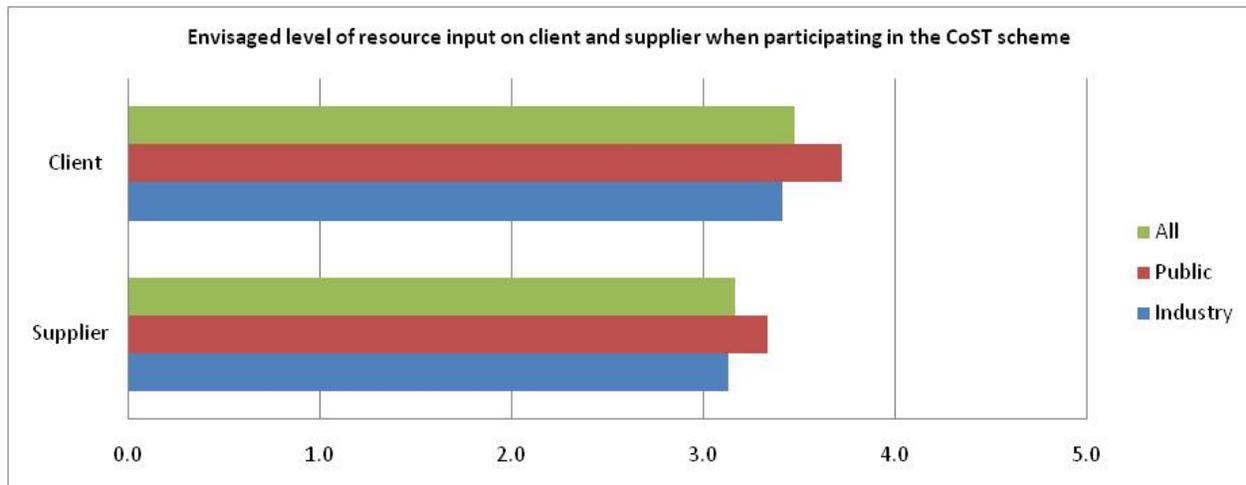
Another interesting fact is that 22 percent of the industry representatives disclose construction project information via national press, political representatives and non-governmental organisations, which all recorded 0 (nil) percent of preference among the public.

Impact of CoST on procurement methods and resource input when participating in the scheme

The respondents would not expect CoST to have a huge impact on procurement methods. The average expected level of impact was 3.5 (out of five), which places it between neutral and positive (0 – very negative impact, 5 – very positive impact).

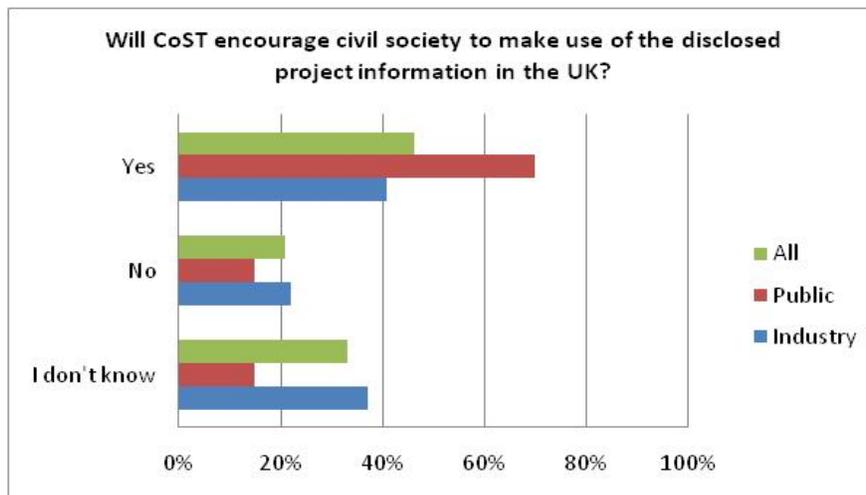


The resource input on client and supplier when participating in a CoST scheme is envisaged to be medium/high by both, the public and the industry (0 – very low, 5 – very high).

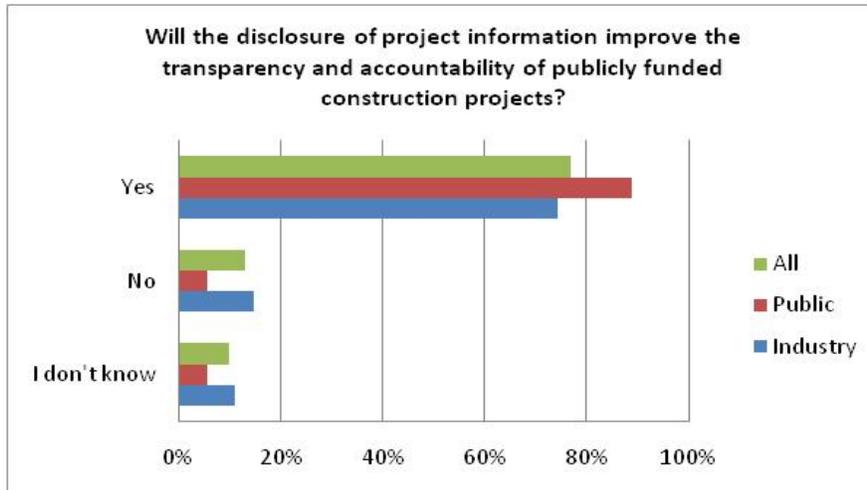


Impact of the CoST initiative on stakeholders

A big majority of the public (70 percent) believes that CoST will encourage the civil society to make use of the disclosed project information in the UK. The industry is more sceptical about it with only 41 percent thinking so, one in five thinking otherwise. The number of undecided is more than twice bigger among the industry than the public.

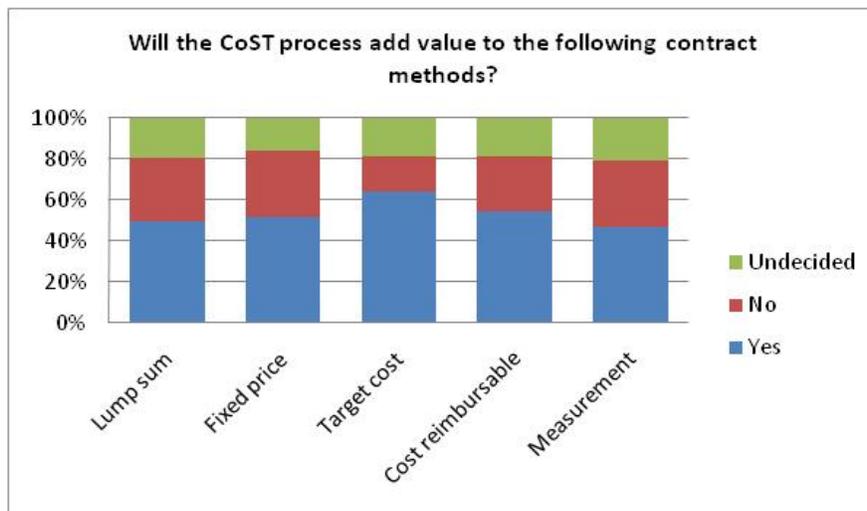


Nine out of ten of public respondents and three quarters of the industry respondents are of the opinion that the disclosure of project information will improve the transparency and accountability of publicly funded construction projects. Again, around twice as many respondents from industry compared to the public are sceptical about the initiative.



Impact of the CoST initiative on contract methods

At least 50 percent of the respondents representing the industry believe that the CoST initiative will add value to various contract methods. The biggest proportion – 64 percent – believes that it will add value to the target cost method.



Other transparency initiatives that CoST needs to consider during the pilot

The respondents had various ideas of other transparency initiatives that CoST should consider during the UK pilot. One of the key issues was the transparency of the procurement phase, for instance allowing SMEs an easier access to procurement opportunities, greater clarity and accountability of clients in the selection process for contracts and more information on how a certain score was achieved or why one agent scored higher than another during the tender process. The respondents would also like the information about the key persons involved in the contract awarding process to be made available to the public. One of the respondents suggested that the procurement policy of companies and government should be fully auditable by an independent body. Lots of attention in the free comments was given to the

procurement phase, however there was one comment which raised an issue of reviewing completed projects for their procurement method for ascertaining the value for money realized.

Issues that may inhibit the CoST scheme

The key issues that may inhibit the CoST initiative named by respondents were as follows:

- The reluctance of clients to admit and explain cost and/or programme overruns
- Distorted views of meaning and impact of commerciality (by the industry)
- Lack of awareness of the CoST initiative
- Lack of understanding of the drivers behind the initiative

The commercial sensitivity of the publicly funded construction projects was often mentioned as the key inhibitor to the scheme. One of the respondents said:

“Commercially sensitive information becoming public knowledge will impact on an entity’s ability to win projects in the future by applying similar design solutions or cost control procedures.”

Another one, who had a formed view on how projects are awarded to companies said:

“People will invoke commercial sensitivity at any opportunity. Public bodies will not want their selection processes revealed. Nobody is going to want to admit that cost is still the dominant factor in awarding contracts. For all the talk of 'quality' and other factors the bid still goes to the cheapest tenderer. People are not going to want to officially admit that by revealing criteria and budgets.”

Overall comments on the CoST initiative

The general comments on the CoST initiative were positive and showed that the respondents were supporting the idea. They raised some concerns related to lack of wider promotion and awareness raising, especially among the public. They were also unsure whether revealing all the project information to non-industry stakeholders would by itself ensure improvement in publicly funded construction projects procurement and delivery methods.

Throughout future phases of the initiative the ‘plain English’ principle should be applied and technical jargon should be used to the minimum. Otherwise CoST will risk alienating the public and will not manage to gain their full buy-in.

Appendix – the questionnaire

1. What stakeholder group do you belong to?

- Public sector client
- Consultant
- Contractor/sub-contractor
- Non-governmental organisation
- General public
- Other

2. Are you

- Male
- Female

3. What age band do you fall into?

- Up to 25
- 26-35
- 36-45
- 46-55
- 56-65
- Over 65

4. What UK region are you from?

- East of England
- East Midlands
- London
- North East
- North West
- Northern Ireland
- Scotland
- South East England
- South West
- Wales
- West Midlands
- Yorkshire & Humber
- Channel Islands
- Other

5. Please indicate up to five infrastructure sectors where you would like further information about publicly funded construction projects

- Airports
- Cycleways
- Footpaths
- Hospitals
- Housing
- Ports
- Power supply
- Roads
- Railways
- Schools
- Sewerage systems
- Telecommunications
- Water supply
- Waterways/flood defenses
- Other

6. **A principle of CoST is the ongoing disclosure of project information during the course of a construction development. As a representative of your stakeholder group, which information on a publicly funded construction project do you find important? (1 = not important at all; 5 = very important)**

- Details on the project purpose and design
- Intended beneficiaries
- Potential environmental and social impacts
- The project budget
- The final cost of the project
- Explanations for any variation between the budget and final cost of the project
- The process for selecting the organisations responsible for project delivery
- The reasons for selecting the organisations responsible for project delivery
- Intended duration of the project/project's key stages
- Final duration of the project / project's key stages
- Explanations for any variation between the intended duration and final duration of the project
- Other

7. **From your perspective, please indicate the level of availability of the following information on publicly funded construction projects (scale: 1= low; 5 = high)**

- Details on the project purpose and design
- Intended beneficiaries
- Potential environmental and social impacts
- The project budget
- The final cost of the project
- Explanations for any variation between the budget and final cost of the project
- The process for selecting the organisations responsible for project delivery
- The reasons for selecting the organisations responsible for project delivery
- Intended duration of the project/project's key stages
- Final duration of the project / project's key stages
- Explanations for any variation between the intended duration and final duration of the project
- Other

8. **Public sector client / consultant / contractor / sub-contractor only: Where do you disclose material project information from publicly funded construction projects at present? (Select as many as apply)**

- Project's dedicated website
- Client organisation's website
- National press
- Local press
- Technical press
- Political representative
- On request from non-governmental organisation / general public
- Briefings organised by the client organisation
- We don't disclose any information on the projects we work on
- Other

9. **If you are a public sector client / consultant / contractor / sub-contractor: What would be your preferred way of disclosing project information on a publicly funded construction project? If you are non-governmental organisation / general public / other: What would be your preferred source for obtaining project information on a publicly funded construction project? (The same set of answers for all respondent groups)**

- Project's dedicated website
- Client organisation's website
- National press
- Local press
- Technical press
- Political representative
- On request from the client organisation
- Briefings organised by the client organisation
- Other

10. **How commercially sensitive do you find the following information on publicly funded construction projects? (1 = not sensitive at all; 5 = very sensitive)**

- Details on the project purpose and design
- Intended beneficiaries
- Potential environmental and social impacts
- The project budget
- The final cost of the project
- Explanations for any variation between the budget and final cost of the project
- The process for selecting the organisations responsible for project delivery
- The reasons for selecting the organisations responsible for project delivery
- Intended duration of the project/project's key stages
- Final duration of the project / project's key stages
- Explanations for any variation between the intended duration and final duration of the project
- Other

11. **As a member of the public, do you believe that CoST will encourage civil society to make use of the disclosed project information in the UK?**

- Yes
- No
- I don't know

12. **What level of impact would you expect the CoST process to have on the following procurement methods? (1=very positive, 5=very negative)**

- Traditional: consultant - design/contractor – build
- Design and build: contractor designs and builds
- Early contractor involvement: contractor is engaged prior to the construction phase
- Public Private Partnerships or Public Finance Initiative: a private sector invests and manages the design, build,
- public sector client
- Frameworks: client invites tender from suppliers to carry out work on an 'as instructed basis' over a set term
- Direct labour organisations: the client's own organisation deals with much of the work (it's often used on social housing maintenance work)
- Term contracts: contractor is engaged over

maintenance and or

a set term to manage and provide a service
– not for managing a project

- operations of the infrastructure asset under a 15-25 year agreement with the

13. Are there any other transparency initiatives that in your opinion CoST needs to consider during the pilot phase in the UK?

14. As a member of the public, do you believe the disclosure of project information will improve the transparency and accountability of publicly funded construction projects?

- Yes
- I don't know
- No

15. Public sector client / consultant / contractor / sub-contractor only: Do you think the CoST process will add value to the following contract methods? (If you're not public sector client / consultant / contractor / subcontractor, please skip the question)

- Measurement
- Target cost
- Lump sum
- Cost reimbursable
- Fixed price

16. What level of resource input on a) client, b) supplier would you envisage when participating in a CoST project? (1=low level of input, 5=high level of input)

17. Are there any other transparency initiatives that in your opinion CoST needs to consider during the pilot phase in the UK?

18. Are there any issues that in your opinion may inhibit the CoST project?

19. Please provide us with your overall comments on the CoST initiative.

20. Would you be happy to discuss your responses with the members of the Multi-stakeholder Group in due course?

- Yes
- No

