



PROVIDING CONSTRUCTIVE SOLUTIONS

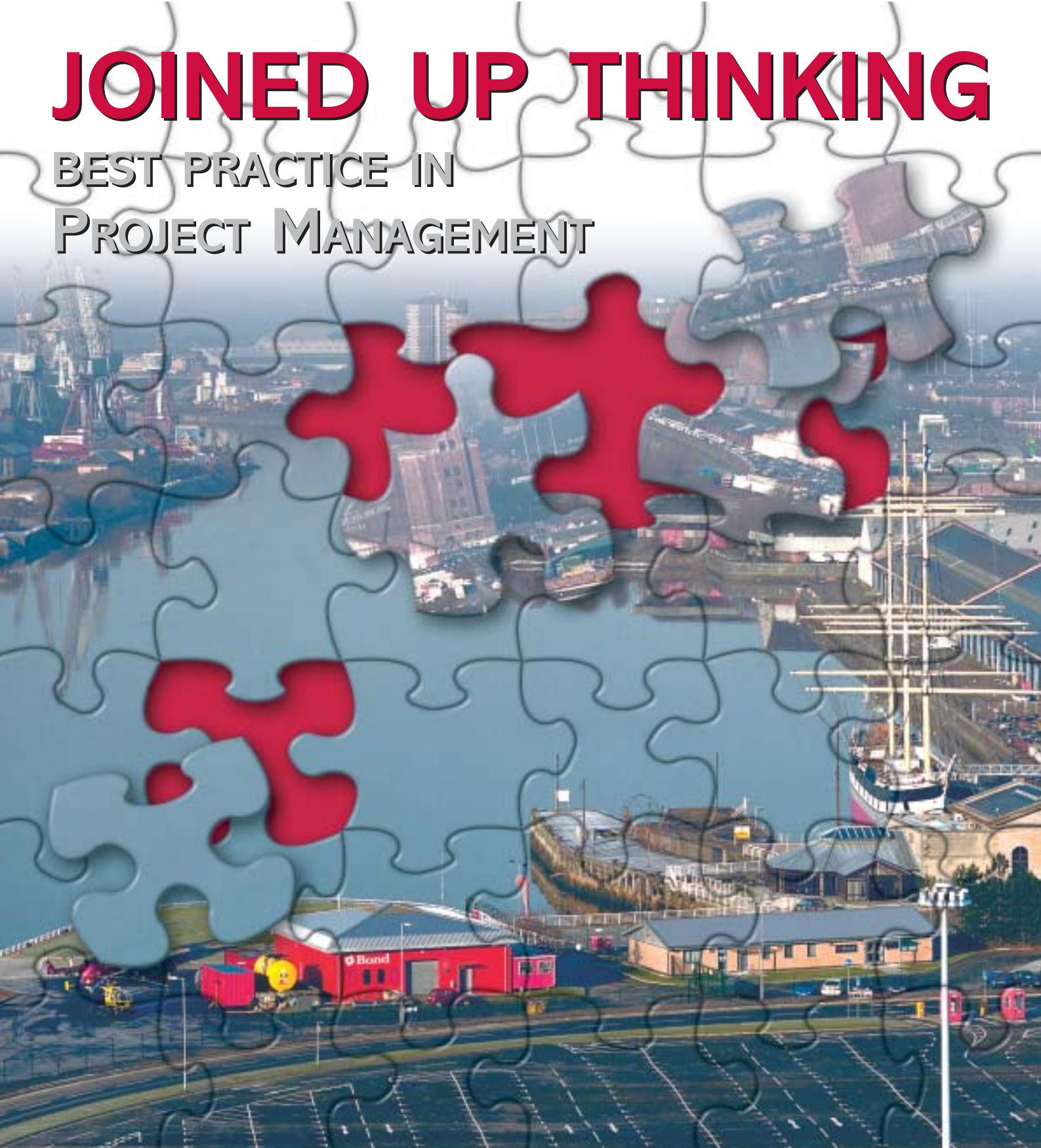
BULLETIN

CURRIE & BROWN: UK EDITION

ISSUE 4 • AUTUMN 2004

JOINED UP THINKING

BEST PRACTICE IN
PROJECT MANAGEMENT



INSIDE ■ NEWS ■ GATEWAY ■ FINANCIAL CLOSE ■ ESTATES



INNOVATION, partnership and adding value for clients. These three principles underpin our philosophy at Currie & Brown. In this issue of the Bulletin we've sought to provide you with an insight into how Currie & Brown applies these principles to support clients in realising their own strategic goals.

Both our comment and feature sections are devoted to aspects of this endeavour to maximise the customer's value chain.

Effective financial close is vital to ensure that ideas translate successfully from the drawing board to the real project stage. Our feature highlights the role of best practice and impartial advice in achieving this.

Managing the value chain provides the strategic impetus behind our drive into consultancy for estates management departments. Our perceptive comment piece by John McIntosh reveals how best practice is saving millions of pounds and improving efficiency in universities across the UK.

Our commitment to innovation is benefitting both government departments and private industry by freeing up key personnel to focus on their core activities, again adding value and improving performance.

Of course these strategic partnerships with our clients are only possible thanks to the high calibre of expertise in our company. I am pleased to say that our strength in depth at senior management level has been reinforced by some key appointments, notably in the health and higher education sectors.

At Currie & Brown innovation, partnership and adding value are not just goals - they are part of our everyday reality in delivering to clients.

David Broomer
Chief Executive

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Atomic Contractor

CURRIE & BROWN has been awarded a contract by UKAEA to provide project controls personnel to their Dounreay site in Caithness, Scotland. The Dounreay site is a Nuclear licensed site that is being decommissioned. This programme of work is planned to take approx. 30 years to complete, although the most significant radiological hazards will have been removed in the first 10-20 years.

This contract is for a two year duration and is extendable by a further year subject to satisfactory performance. It entails the provision of planning, cost engineering and estimating personnel. These personnel will develop and deliver an integrated approach to project controls that enables effective project management and delivery. The project controls team will work closely with UKAEA and other contractors' personnel to develop management approaches that utilise the Life Cycle BaseLine and Near Term Work Plans for the complex that enable effective delivery management of the current workload.

The contract came into effect on the 1st of August 2004 and the current team is around 30 strong. Currie & Brown have developed a relationship with Morson International Ltd to assist in the provision of the necessary personnel for this contract in the far North of Scotland.

Property valuations are soaring

CURRIE & BROWN has won a major contract from LandSecuritiesTrillium (LST) to value its extensive UK commercial property portfolio for fire insurance purposes.

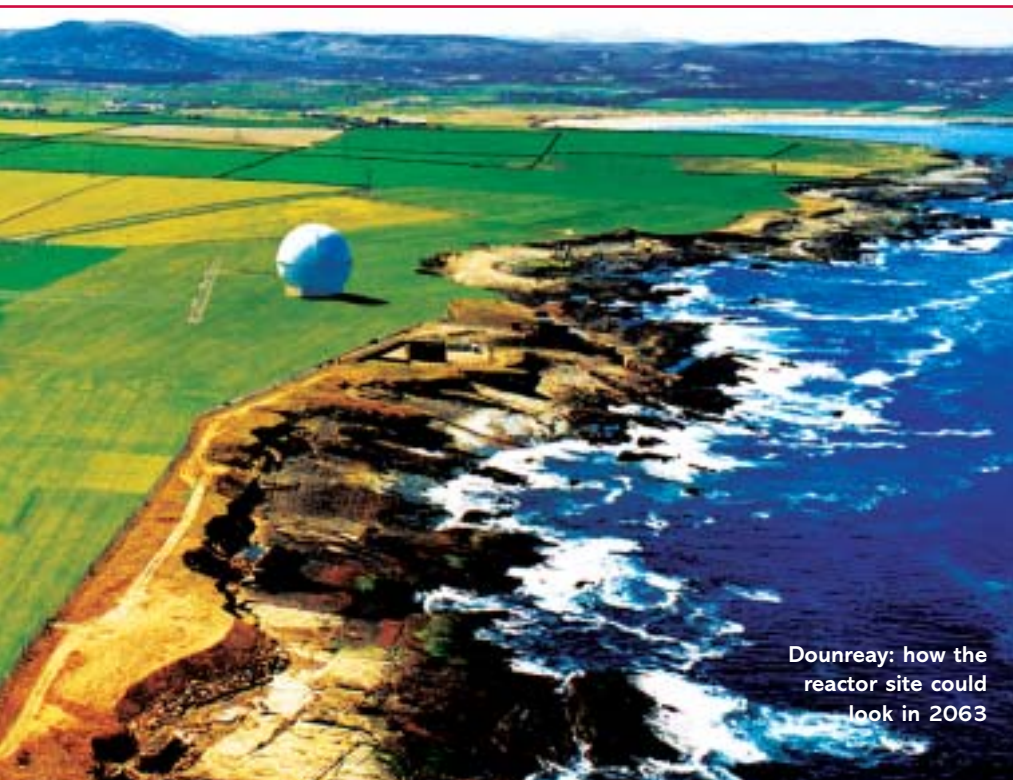
Under the terms of the substantial deal, Currie & Brown personnel will, over a period of 2 months, visit and assess 350 properties ranging from small 250m² establishments to large premises of 20,000m².

However as these properties represent just 20 per cent of LST's Prime portfolio holding, Currie & Brown will then conduct an extrapolation exercise in order to calculate the value of the entire portfolio.

According to Peter Mullins, divisional director of Currie & Brown, the project will be managed from the London West End office but will be supported by local expertise from Currie & Brown offices in Glasgow, Aberdeen, Birmingham, Manchester and Plymouth.

He said: "This is a significant commission from LST and it underlines the fact that clients value the breadth of our ability to provide consistent services across the UK and to deliver in specialised areas."

Trevor Globe, Capital Investments Director at LST commented that "the award of this commission shows the value placed on the continuing relationship with Currie & Brown as a large construction consultancy".



Dounreay: how the reactor site could look in 2063

OGC: NO PAYNE, NO GAIN

RICHARD PAYNE, director with Currie & Brown, has been seconded to the Office of Government Commerce. He joins the specialist team, under OGC executive director Martin Sykes, which is assessing the construction market in the light of the Kelly Report.

The Kelly Report, published last December, focused on how the government could become a better and more attractive client, thereby increasing tenderers' desire to contract with the government. This, it was hoped, would lead to increased competition and best value through market forces.

Concerns had been raised that there is sometimes insufficient credible tenderers for government contracts.

In response to the report, the OGC chose the construction market as the first sector to be researched to see how Kelly's recommendations can be applied.

One of the major questions raised by Kelly is whether the industry supply chain has sufficient strength-in-depth to cope if the government were to push forward with all its planned construction projects.

The team will be assessing the scale of capacity and resource available in terms of planners, architects, project managers, bid teams, site staff, site operatives, building supplies; in fact the entire construction supply chain.

"The question is what will the effect be if, for example, along with current healthcare and education initiatives, we win the Olympic Bid and Crossrail goes ahead," says Payne.

The OGC is the government's centre of excellence for public sector procurement. Established in April 2000 it was set up to act as a catalyst in procurement issues and to work with Departments to achieve best value for money in their commercial activities.

Big name transfers for team

CURRIE & BROWN has made two senior appointments which will further reinforce the company's strong management capability.

Meurig Jones joins as head of Currie & Brown's new management consultancy business unit, based in the London City office. Meurig previously headed up a significant services division within Hewlett Packard.

As client engagement director he will be consulting with new and existing clients on the client engagement model.

The company has also appointed Alastair Stewart, former regional managing director

of Jarvis Projects, as divisional director, based in Glasgow.

He will be responsible for a number of high profile projects, particularly in the PFI sector.

With over 30 years experience in the construction industry, Alastair's expertise spans design and building, project management and PFI and PPP. He has worked on a number of PFI education and healthcare projects and fully funded student accommodation projects.

Previously he was managing director of Kier Scotland and regional planning manager at Amec Projects Ltd.

London Calling

CURRIE & BROWN'S London West End office has won a commission to carry out planning supervision for the Corporation of London on a major refurbishment project at the Guildhall in the City of London. The project comprises a number of separate contracts, the major component of which is the complete remodelling of the North Block. The overall construction is due for completion at the end of 2007.

The London West End office is also providing assessment and monitoring services on the development of a new gallery for Turner paintings and other contemporary works of art. The Gallery will be situated in Margate Harbour and be a catalyst to regeneration in the seaside town.

House Doctors

CURRIE & BROWN'S Milton Keynes office has been appointed to provide cost management services in connection with the refurbishment and remodelling of Clarendon House in Cambridge for Bidwells Property Consultants acting on behalf of La Salle Investment Management. The works comprise remodelling of four floors of an existing 1980s building, including provision of air conditioning, new lifts and reception area and refurbishment of basement car parking. Work is due to commence in September 2004 with completion early in 2005 utilising the design and build procurement route.

BBC Programmes

CURRIE & BROWN is working on a number of major projects on behalf of the BBC.

These include providing support for broadcast critical engineering projects for the BBC World Service at Bush House in London. The company is also assisting in a 4,000m² relocation of the BBC's New Media Centre to White City.

In addition, Currie & Brown has been appointed technical advisor to Barclays Capital for the new BBC Scotland headquarters at Pacific Quay in Glasgow. This is a new build, signature architect designed facility being constructed at the former docks site on the south bank of the Clyde.

In it to win it

CURRIE & BROWN'S Birmingham office has been advised that it may have up to 50 monitoring projects in the West and East Midlands on behalf of the Big Lottery Fund.



■ IN today's financial climate senior managers, with responsibility for the provision of estates services within their organisations, are aware that the services they provide must be first class, both in financial and quality terms. In addition they realise that any statement that they are providing a value for money service must be validated by management information. Historically, such judgements were made on the basis of perception rather than reality.

Currie & Brown Facilities Management (FM) Consultancy assists organisations in carrying out reviews to identify where their Estates Departments fall short in achieving best value and what steps should be taken to reach that goal.

The primary areas that normally need addressing are procurement, project management, organisational structure and communication where estates departments could be incurring excessive expenditure. Working closely with Directors of Estates and Procurement Officers Currie & Brown FM Consultancy has moved organisations away from historical procurement practices to procedures and processes that match their needs in today's market place. An example of this is that we have found that organisations work with specifications that do not match corporate or users needs, are not cost effective and are too detailed. A move to output specifications linked to positive key performance indicators, and in some cases penalty clauses has shown considerable improvement both in cost and quality of work.

Another problem has been the selection and use of suppliers, contractors and architects, cost managers, consultants and the cost and time associated with the employment of such organisations through constant tendering processes. One solution that Currie & Brown FM Consultancy is implementing in co-operation with clients is a greater move towards framework agreements for the employment of consultants and limited call off contracts, linked to agreed rates, for appointing contractors and suppliers.

Our evidence has indicated that moving to output specifications, linked to call-off and framework agreements has considerably improved efficiency within estates department. However equally important in such arrangement is the in-house management of contractors and consultants. Where poor monitoring exists, the quality of work is not addressed and the client could be paying for work that does not match original specification. Additional costs on major projects can quickly accumulate if management of design and project teams is not tightly controlled from the outset. Projects where overspend can move into millions is not totally uncommon.

Because of the savings that can be generated by following good practice in procurement and project management we have found that in almost all of our FM Consultancy reviews, our costs to the client are retrieved, by the client, through savings generated from following good practices.

A recent innovation with our clients is to form a procurement consortium with other local businesses and organisations. This practice is common within Universities who have purchasing consortia for a group of universities normally on a geographical basis. We are currently working with one client to develop framework agreements and call-off contracts. Six other organisations, within the same town, from totally different disciplines, have expressed interest in joining our client in a consortium to achieve lower costs and obtain improved quality service by making the total contract more attractive to contractors and suppliers.

Lack of communication is a common problem causing uncertainty and antagonism in estates departments. Such problems are fortunately not insurmountable and FM Consultancy has introduced various solutions from service level agreements, customer focus groups to integrating maintenance and project staff to discuss project planning and levels of involvement.

In working with contractors and suppliers on behalf of clients we have found that there is a desire to work in close long-term partnerships with estates departments to improve cost and quality of service.

We in Currie & Brown FM Consultancy are confident that senior managers, in Estates Departments, want to achieve value for money and provide a first class service, and that this may necessitate a requirement for radical change rather than tinkering with existing systems. It is hoped that this desire for change is contagious and will spread through the profession.

John McIntosh, Director of Currie & Brown and Head of FM Consultancy

The Gateway process aims for efficiency and competitiveness in major capital projects

WITHOUT an industry standard to use as a benchmark how can you tell if work is of sufficient quality to be approved? It's a fundamental question but one that was left unaddressed in civil procurement for decades.

The Gateway process was launched in 1999 as part of a shake-up in the construction industry. In that year Peter Gershon, managing director of GEC Marconi, published his review of civil procurement in central government. His recommendations led to the creation of the current Office of Government Commerce (OGC) and have resulted in efficiency, modernisation and competitiveness in major capital projects.

The Gershon report basically urged some joined-up thinking in government procurement and recommended a common strategic framework to make sure this happened. The framework that was set up was a triumph for clear-headed thinking and common sense. It includes a standard procurement process, common performance measures, key standards, common systems, and key values such as codes of good customer practice and working together across departmental boundaries.

In tandem with the Gershon Report, the Chief Secretary to the Treasury launched the Achieving Excellence in Construction initiative which set some very tough targets in order to drive through those goals of efficiency, effectiveness and value for money.

This was such a success that it has been renewed. The strategic target for the financial year ending on 31 March 2005 are that 70% of construction projects be delivered on time, within budget with zero defect and exceed consumer and stakeholder expectations. Keeping up the pressure, the average time period from start of procurement to award of contract has to be reduced by 25% for major construction projects by that deadline.

The guidelines introduced to deliver these targets is the OGC Gateway Process, which has had an enormous impact on improving quality, timescale and value in civil projects.

"It is effectively a review of a programme or project at critical stages in its lifecycle, by an independent team, to provide assurances that it can progress successfully to the next stage," says Brian Campbell, Associate.

There are five Gateway Reviews during the lifecycle of a project; three strategic reviews before contract award and two operational reviews looking at service implementation and confirmation of the



GATEWAY IS WIDE OPEN

operational benefits. A sixth Gateway, the strategic assessment, is concerned only with reviewing whether the business need has actually been established in the first place.

Gateway 1 examines the business case; Gateway 2 reviews the procurement strategy; Gateway 3 is concerned with the investment decision; Gateway 4 assesses readiness for service and Gateway 5 is the benefits evaluation.

There are several key benefits of the Gateway process. It ensures that:

- *the best available skills are used on the project*
- *all stakeholders understand the project status and issues involved*
- *there is assurance that the project can progress to the next stage*
- *realistic time and cost targets are put in place*
- *there is provision of advice and guidance to project teams by fellow practitioners*

Gateway reviews assign a red, amber or green status to the project. Red means that remedial action must be taken immediately but does not call for work to stop.

Campbell understands why the Gateway process has been introduced but notes that Currie & Brown had already incorporated Gateway into its own Project Execution Plans. “We had the project gateways identified in the project delivery plan in major regeneration projects such as the

major programme for the former Ravenscraig steelworks,” says Campbell.

“After that we were strategic development managers on the Clyde Gateway (no relation) project to regenerate the east end of Glasgow and on the Clyde Waterfront development. In both cases our project plans followed the Gateway model.”

Andrew Loudon, director of Currie & Brown’s Glasgow office, concurs that there are real benefits in the Gateway process for all parties: “Organisations such as regional development agencies, have frequently been criticised in the past for lack of checks and balances in projects and shortcomings in assessing overall economic benefits.

“The Gateway process gives structure and governance to client boards sponsoring major capital investments, both in construction and other areas.”

“This gives them an efficient and effective way of managing projects.”

He stresses that for Gateway to work properly it is essential that project managers are given access to the right information. There can be up to five separate bodies involved in delivering a major project so it is crucial to identify the project champion. “It’s not usually systems that let you down, it’s people accountability.”

Effectively the inquiry into the huge cost overrun on the Scottish Parliament building is a retrospective gateway review. Audit Scotland will now use Gateway going forward while Scottish Enterprise has a Gateway-approved team. “It will become a key part of every major project from water to road infrastructure,” says Campbell.

“Gateway is poised to become mandatory so this will be front-of-mind for all players in the sector,” he warns.

Currie & Brown has already emerged as an early leader in the field given the number of projects requiring Gateway discipline which it is currently managing.

All programmes will have to factor in time for assessment and appraisal. It will be applied on public funded projects including, potentially, Defence Estates and Local Authorities.

Loudon points out that the private sector will be affected too: “There will be pressure there to adopt the Gateway process principles especially in the light of the Sarbanes-Oxley legislation in the US following the Enron scandal.

“Auditing and consulting separation have taken place. Chief Financial Officers of US companies will have constraints on them which will oblige them to have clear processes, approvals, and in essence gateways, on capital projects for sign-off,” he says.

“Big accounting firms had to separate their audit and other advisory services including real estate.”

Despite the period of adjustment that will be required in some quarters Campbell believes that Gateway is a much-needed industry standard that will bring considerable long-term benefits: “There may be a need for flexibility but Gateway is there to ensure that projects meet their long term objectives,” says Campbell. “It is there to manage the risks for public bodies. It is formalising and disciplining the procedure and will provide major benefits to clients.”

Disciplined and rigorous management procedures are vital to ensure that all parties to a PFI project meet the milestones and deadlines for sign-off

GET CLOSURE

EVERYONE in business uses ‘to do’ lists. But financial close of a major PFI project requires the mother of all ‘to do’ lists with rigorous checking and monitoring built in. Financial close happens when all parties to a PFI project sign off on all the technical, legal and financial aspects required for a formal agreement, with an interest rate gained from the market on the day of close (i.e. the rate that the project debt is borrowed at).

The day of financial close normally involves representatives of all parties to the deal, from the awarding authority and the funder to the project company and its representatives, gathering and signing the relevant pages of the hundreds of documents required to conclude the agreement. In some cases the documents list itself can run to 30 pages and the risk of writer’s cramp is real.

However, although the actual signing can take a couple of hours it is preceded by many months of planning, discussion, negotiation and interaction among the various parties. Depending upon the size and complexity of the project, the period from preferred bidder to financial close can take from six months up to two years. Despite the air of finality given by the term, financial close is just the starting point for the construction process to begin.

Currie & Brown can be involved in any one of several roles in a PFI project. This could be as technical adviser to the awarding authority - a healthcare division or education department, for example - or to the funder. In other cases the company could work on behalf of the construction or facilities management contractors who will build or operate the finished facilities. Although Currie & Brown can act in any of these roles, it will generally only work for one party in any deal to avoid conflict of interest.

The success of any PFI project depends largely on the awarding authority retaining a well-rounded and cohesive team of advisers and developing a good working relationship with the private sector partner, known as ProjectCo. This is particularly true in the period up to financial close when a large number of tasks need to be carried out and documents agreed. It is vital that all parties complete their tasks to the given deadlines.

“It is about protecting your client while moving the deal forward efficiently,” says

Mark Baird, Associate with Currie & Brown. “Allocating risk is a major part of the work. The NHS, for instance, typically doesn’t want to take on the risk of poor ground conditions under a new hospital so that has to be allocated to the private sector ProjectCo – who are best able to manage such through their construction sub-contractor.

“If we were acting for the project company we would be concerned with issues such as the terms of the contract, the risk allocation and the costs.

“For example, in a school refurbishment it would be necessary to get someone to take ultimate responsibility for, say, the removal of asbestos or for decanting pupils while work takes place.”

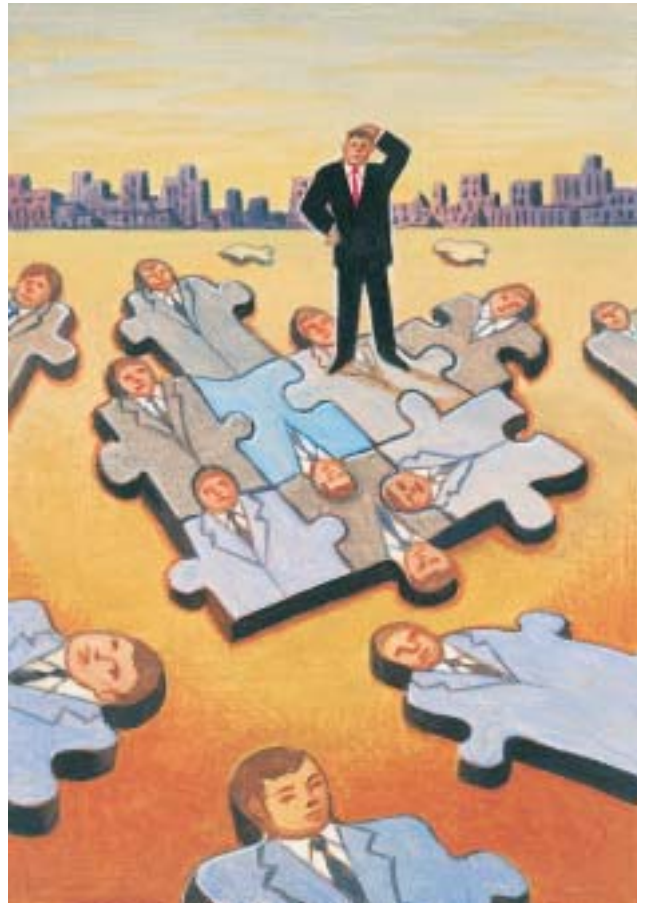
When Currie & Brown acts for the funder its role is to assess the project capital and operational costs, as well as potential and/or real technical risks to the funder: “We would be parachuted in once the information has been collated by other parties and carry out a due diligence exercise, highlighting risk items, mitigation of risks and reviewing the proposals of ProjectCo.

“In some cases an issue will not be a clear-cut legal matter or technical matter but may straddle both. That has to be resolved satisfactorily between Currie & Brown and the relevant legal adviser in order to proceed.”

Achieving this requires careful planning at an early stage so that all parties know exactly what tasks must be carried out when and by whom. A critical path analysis, detailing responsibilities and accountability, provides the framework for driving the project forward to financial close.

Currie & Brown generally uses Microsoft Project software to programme all stages from inception to service commencement. Effectively it is a route map with an overall programme of key tasks supported by a highly detailed supporting programmes for each key stage.

The discipline of this detailed programme is important as it allows all tasks to be



monitored and updated as the project moves ahead. Milestones such as key stage reviews, business case submissions and user group consultations can all be flagged up. To get some idea of the complexity of a financial close, the overview programme alone would have around 30 headings with each supporting programme having the same number again.

Key selective tests are used to ensure that tasks have been completed. These will check that, for example, cost proposals have been completed, detailed construction costs have been agreed and operating expenditures have been agreed.

With so many moving parts and areas to cover it is essential to keep the process as simple as possible: “Identifying a single point of contact in each party to the deal is extremely helpful in achieving this,” says Baird. “It gives ownership of tasks to named individuals who are accountable for delivering their organisation’s side of the bargain.”

Both the public sector team and the private sector team must work closely together to agree documentation. A planned round of meetings and consultations enables decision makers on both sides to resolve outstanding issues hopefully in a measured way, always aware of any knock on effect of decisions.

With the right disciplines and expertise in place, the complex issue of financial close can be achieved with the minimum of aggravation and delay. Only then will the real business of commencing construction and ultimately providing a public service begin.



Everyone is familiar with the title project manager. But what does it mean?

DEFINITION REQUIRED

IS it the manager of the project with ultimate decision making power? Is it the project co-ordinator or leader? Is it, in fact, the project owner, charged with delivering a defined project? In reality, the project manager can be any one of these or none at all.

Particularly within the construction industry, the term has been used to define a consultant who is appointed to oversee the delivery of a product. The individual can co-ordinate design activities, the cost manager and oversee the delivery contract. Or they can act as client adviser, providing guidance on the appointment of appropriate design and cost consultants and acting as the client's agent in contract, with the delivery vehicle.

Confused? Well, consider the following. Can a project manager also be a client's agent, a technical adviser, or client interface? The answer is that, subject to the project, the procurement route and the client's knowledge base the answer is yes to any or all of the above.

In reality, a number of industry sectors - such as IT, engineering and pharmaceuticals - have individuals within their organisations who, ostensibly, either brief consultants and oversee delivery from a client perspective or, due to the technical nature of their industry, actually manage the project. These individuals have a high technical knowledge which at times can obscure the objectivity against cost and programme targets thus requiring external project management support to drive through delivery.

We, at Currie & Brown, believe that as project managers we should add value and act as the catalyst to solving problems. It is not enough merely to identify problems for others to resolve, or worse, to simply apportion blame. We may add value by releasing client technical staff to continue with their 'day job' while we ensure delivery of the project in hand. Subject to client requirements, we may engage design consultants as sub-consultants to provide a one-stop service with delivery being secured by the most appropriate contractual

route. The choice of procurement route will, in turn, dictate the role and responsibilities of the project manager during the delivery phase.

Currie & Brown believes in being a team player. We understand the need to dovetail all appointments to ensure compatibility, the need to remove overlaps in service and to guard against introducing the culture of "it's his job not mine". This belief manifests itself in tailoring our service to suit the client and the project; to preparing a detailed project handbook clearly setting out the team's roles and a project execution plan. This details how and when activities will occur, the project controls for managing the works, and the structures to be implemented with clear delegated authority levels and so on. We ensure that these plans are not set in stone but allow flexibility to alter as the works progress. This makes sure the plans remain relevant and robust to manage the project as efficiently as possible.

One of the key activities to achieving successful closure is to ensure that projects are properly set up. In this regard the project manager must and will add value.

The principle contacts within Project Management Division:

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