

Our achievements as a result of better construction, engineering and procurement

One of the features of the long-term investment strategy has been a review of our performance on construction projects following the adoption of *The New Procurement Strategy – Constructing a Better Environment in 2000*. From this review it is clear that our drive to continuously improve our procurement and management of construction and engineering projects has generated many benefits to the communities we serve and to the environment. As a result our capacity to build and repair flood defences has improved significantly. We have been able to assist in the delivery of an overall Flood and Coastal Risk Management (FCRM) programme with a budget that has more than doubled since 2000/2001 to a projected figure of around £600million for 2008/2009.

Then and now...evidence that we have become more efficient:

- Since April 2005 measured efficiencies reported across FCRM (capital and revenue) have exceeded £70 million.
- Houses defended during the same period were 95,305 – within one per cent of a very challenging target.
- Cost predictability/delivery within business case authorisations has improved – 2007/2008 showed project costs were 12.1 per cent **under** budget compared with 10.3 per cent **over** in 2002/03.
- Time taken to complete capital projects has reduced – an average of 15 months last year compared with over two years in 2002/03.
- Delivery against planned milestones has increased from 50 per cent to 80 per cent over the same time period.
- In terms of sustainability, the percentage of aggregates recycled has significantly increased and the percentage of waste going to landfill has reduced on capital projects.
- Against a previous background of excessive contractual claims there are no major outstanding claims in relation to our projects with the consequential avoidance of the negative costs of dispute resolution.
- Parallel benefits are being achieved as a result of our streamlining project – current forecasts for development costs this year are below 25 per cent compared with historic levels in excess of 30 per cent.

How this improvement has been achieved:

The keys to this were:

- our 2000 procurement strategy, which kick-started a new approach and heralded a new era of construction engineering commissioning the subsequent procurement strategy '*Constructing a better place 2006-2010*'
- engagement with the Office of Government Commerce and the National Audit Office, most recently in 2005.

These initiatives led to the following improvements:

- Establishing a core set of key suppliers under strategic, longer-term national framework contracts to work collaboratively in integrated teams with the new Environment Agency National Capital Programme Management Service, and Procurement and Environmental Assessment teams.
- Creation of a Framework Board involving senior representatives from the Environment Agency and suppliers to give strategic and co-ordinated direction to all parties involved.
- Early contractor involvement in proposals; regular, ongoing communications; knowledge management; performance measures geared to outcome delivery; and joint training opportunities.
- Greater consideration of 'whole life' costs.
- Use of the New Engineering Contract to help drive the correct behaviours but also to provide a range of contract options and risk share arrangements. The use of incentivised target price contracts is encouraged, increasingly linked to overall project costs.

In addition to the national framework contracts we have also been able to run pathfinder private finance initiative/public private partnership projects at Broadland and Pevensey, one-off large contracts such as Lincshire Beach Renourishment and the Wheal Jane Minewater Treatment Plant plus regional framework contracts for maintenance works.

What we will strive for in future:

We want to do more to reduce the flood risk to the communities we serve and remain at the forefront of construction procurement best practice.

Our current priority programme will protect 117,000 homes. We expect our total project expenditure to rise to around £430 million by 2010/11.

Our drive for continuous improvement will continue while maintaining our scope for flexibility in the sorts of commercial arrangements we make. For example:

- We will seek to achieve further efficiencies through the greater 'packaging' of works.
- We will drive down the cost of project development from 30 per cent of overall programme value to 20 per cent by 2012
- We will seek to engage our suppliers and consider a range of commercial approaches as we develop the long-term investment strategy (2010-2035).

Through the long-term investment strategy we are looking to build on these achievements, driving further improvements in performance, engaging effectively with the private sector and enhancing our capability as an intelligent client.

Further information is available on our progress over the past eight years in a more detailed report which will be circulated in due course.