



## **Construction Manual – project initiation and business case handbook**

### **Purpose**

1. We published handbook 2, [The Construction Procurement Handbook](#), of the Construction Procurement Manual at the end of 2018 and noted that other handbooks would follow. This Construction Policy Note (CPN) provides advance publication of Chapters 1 and 2 of the project initiation and business case handbook.

### **Key message**

2. New guidance is available to assist contracting authorities successfully deliver construction projects and achieve value for money.

### **Target audience**

3. This note is intended for all those contracting authorities responsible for the planning and delivery of public works projects.

### **Guidance**

4. This note publishes the first chapters of the project initiation and business case handbook (handbook 1) of the Construction Manual. It covers the following specific areas:

- Chapter 1 - The Client and the Project Environment
- Chapter 2 - Governance

5. Further elements of the project initiation and business case handbook will be published by CPN in due course. They will also be available shortly on the [Scottish Government Construction Manual](#) web pages.

### **Dissemination**

6. Please bring this construction procurement note to the attention of all those staff involved in the procurement or delivery of construction activities.

### **Contact**

7. CPNs are managed and disseminated by the Construction Procurement Policy Unit. If you have any questions about this CPN please contact:

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## **Project Initiation and Business Case Handbook**

### **Chapter 1 - The Client and the Project Environment**

#### **Overview**

1. Project initiation is a key stage of any project and the success of outputs and outcomes flowing from project delivery will be determined by what happens during it. It is the responsibility of the client, that is the organisation which buys the goods, services or works which are the focus of the project. The client must take an overview of the whole project and, whilst attention to detail in specific phases is important, their eye must follow all the way through to the strategic benefits sought from construction of the asset. The client will be assisted throughout by appropriately qualified persons including where required externally appointed consultants, this is particularly important where the client is not experienced in the planning or delivery of construction projects.

#### **The Built Environment Asset Whole Lifecycle**

2. Built assets are always constructed to deliver an outcome and their whole lifecycle broadly follows the stages described below:

- Planning – identify the need for an asset, assess the options and plan the delivery. This is critical and enough resource and intellectual effort must be applied to fully identify the impact the asset is intended to have.
- Development – develop the design, procure the work and carry out pre-construction activity
- Implementation – complete the detailed design, construct and commission the asset.
- Operation – use and maintain the asset
- Decommissioning – conversion to other purpose, mothballing or deconstruction

3. The client must be closely involved in all stages of the whole lifecycle of the asset and ensure each stage is not treated in isolation of the others and, as noted above, a focus is maintained on how the operation of the asset is intended to benefit the business.

#### **What are the Client Responsibilities?**

4. A successful project relies on mutual integrity, cooperation, communication, fairness, objectivity, courtesy and professionalism. The Client is the pivotal figure in the project and is in a position to lead by example through the right approach to the project and a commitment to team working and Value for Money (VFM), so must therefore:

- allow sufficient time (before and during construction) to fully plan the project and get all elements of the construction and delivery sequence right;
- develop the business case and benefits realisation plan;

- clearly and fully define the needs and expectations in the brief, since late changes of mind can prove expensive in terms of timescale, cost and quality;
- ensure that the appropriate team is appointed (either collectively or individually) to provide advice and to represent the Client's interests — they must be suitably resourced, qualified, experienced and able to work together as a team;
- analyse the risks attached to the project, quantify them, , allocate them and ensure they are managed and make appropriate financial and time provision for them;
- define the parameters of time, cost and quality before the construction phase commences;
- ensure appropriate measures are in place to assure the delivery of quality output and project processes;
- take account of project cost over its whole life and not on the basis of initial (construction and professional fee) costs;
- ensure that the necessary financial and other resources are available when required;
- meet all statutory obligations, including health and safety;
- regularly monitor the entire development process throughout all of its stages, including responding to recommendations of assurance reviews carried out at key approval points in the process and carrying out post project evaluations of the process and end product on completion; and
- display the leadership and management skills of a best practice client.

### **What comprises the Construction Procurement Process?**

5. **Generic Procurement Processes**, such as those used in the procurement of goods and services, do not directly translate to construction procurement situations, but are broadly comparable. In construction procurement, once the decision to proceed with the project has been made, the client will then embark on the procurement process. This can generally be described as follows.

#### **(a) Setting up the project**

This includes:

- appraisal of all of the options available to the Client (including 'do nothing' or 'do minimum') and identification of those which will best serve the business aim.
- nomination of members of the client body to fulfil the specific Client roles;
- determination of the method of funding.
- Determining the client's capability and capacity to successfully deliver the project and obtaining external professional advice and support if this is not available in-house. This may involve the appointment of a client adviser who will give guidance on the preparation of the economic appraisal and options to meet the client's needs including the possibility of a non-build option (i.e. business re-organisation rather than a new or upgraded facility);

- confirmation of the business case by setting out those essential components which will subsequently form part of the strategic brief (for example, initial budget, outline programme, benefits and risks) and by establishing time, cost and quality benchmarks against which the project can be monitored as it proceeds
- development of the Client's brief into a full project brief including consultation with end users;
- identification of the most appropriate strategy to procure and construct the building
- appointment of the project manager, who will be responsible for taking the project forward to its conclusion. The role of the client adviser may change following this appointment; and
- review of the procurement route on appointment of the project manager. This may be required due to changes in the Client's requirements or on the advice of the project manager.

**(b) Defining the project**

This includes:

- formal agreement of the strategic brief, including functions to be provided, cost parameters, quality of design and phasing of programme if required;
- establishment of project control and management procedures, including arrangements to meet the requirements of funders in the case of jointly-funded projects;
- preparation of a project execution plan by the Project Manager, and agreement of key aspects of that plan and timetable; roles, responsibilities and delegated authority; and
- ensuring that risk management is employed and that robust capital and whole life cost control and quality assurance procedures are in place.

**(c) Assembling the team**

This includes:

- drawing up a list of suitable consultants both in terms of technical and project specific expertise, and using data and sources as appropriate (such as framework agreements) to check the market capacity;
- selecting and appointing the project team as per the guidance contained in *Handbook 2 Construction Procurement* and
- drawing up contracts between the client and design team defining the scope of service and obligations. Where possible, standard un-amended contract forms, issued by recognised bodies, should be used. Bespoke or amended forms may be required in certain circumstances; however, it will be necessary to ensure that they are both legally and technically sound. Provision should be made in the contracts for design team members to participate in assurance reviews throughout the whole life cycle of the

project and requirements noted to contribute to the compilation of lessons learned reports.

(d) **Design**

The following refers to the traditional form of procurement (i.e. completion of design by specialists prior to tendering) and may need to be adapted for other forms of procurement. This includes:

- clarification of issues within the design brief;
- development of the concept design to detailed design by the design team in collaboration with the project sponsor and client body;
- ensuring that the statutory consents and legal, financial, insurance and health and safety matters have been resolved and site access is available prior to commencing construction;
- ensuring the buildability of the design;
- choice of the most appropriate procurement route and ensure the required quality is delivered;
- establishment of change control procedures to regulate project cost;
- taking account of the Scottish Government's Policy Statement on Architecture and Place, [Creating Places](#);
- consideration of sustainability issues (the materials chosen for the scheme and the overall impact of the building);
- taking the health and safety implications of construction and operation into consideration; and
- full consideration of whole life cycle and whole life costs.

(e) **The Procurement Reform (Scotland) Act 2014 and The Public Contracts (Scotland) Regulations 2015**

- These are the two key pieces of legislation which impact on procurement in Scotland. Further information and guidance on the tendering process and the legislation can be found in *Handbook 2 Construction Procurement*.

(f) **Construction**

This includes:

- management of the project during the contract period to control costs. Ensure the agreed quality is delivered and avoid disputes. This necessitates the clear definition of responsibilities and sound leadership to drive the team
- the use of early intervention techniques as conflict avoidance procedures can resolve differences of opinion before they escalate into full blown disputes

- regular monitoring and reporting, to analyse all aspects of the project as construction progresses including contractor payment performance and quality assurance;
- ensuring an appropriate project assurance process is in place;
- ensuring the provision of an intelligent client assessment and management of risk, client's capability, budget, project team communication and/or supervision; and
- taking corrective action (if required) including following assurance reviews, carried out at key stages of the project (whether in-house or by independent scrutiny).

**(g) Completion**

This includes:

- oversight of testing and commissioning procedures;
- coordination of the reporting and remedying of defects;
- receipt of the health and safety file from the Construction Design and Maintenance (CDM) Co-ordinator; and
- the agreement of final accounts in line with contractual requirements.

**(j) Post project evaluation and post occupancy evaluation**

This includes:

- completion of a formal post project evaluation in order to review the project performance, its delivery of objectives and VFM, and to identify lessons to be learned from the procurement process. These lessons should be used to influence the approach to the procurement of future schemes; and
- completion of a post occupancy evaluation (possibly by an independent consultant) which focuses on whether the building is meeting user needs and identifies lessons to be learned. This review should be carried out within twelve to eighteen months of occupation and repeated to provide ongoing monitoring of the facility.

**Summary**

6. The client is essential to the project and must be visible, take ownership and provide leadership throughout the whole construction project and beyond, into the asset's use and decommissioning.

# Project Initiation and Business Case Handbook

## Chapter 2 - Project Governance

### Overview

1. Governance provides the over-arching structure and strategy that provides accountability and direction for a project, programme or organisation. Robust and appropriate governance influences behaviours and cultures and is essential to the successful delivery of any project. It comprises authorising, directing, empowering and overseeing management. The governance of portfolios, programmes and projects should be an integrated part of the organisation's overall governance and all projects and programmes should have an appropriately resourced governance structure. The [Scottish Public Finance Manual](#) provides general guidance on procuring, managing and monitoring the delivery of [major investment projects](#).

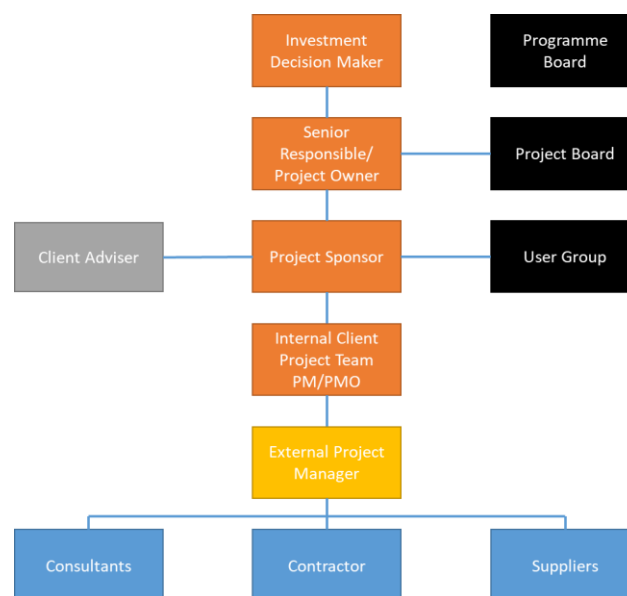
### Guidance

2. Section 4.1 of the [Infrastructure Projects Authority Project Delivery Functional Standard](#) provides a helpful overview of a Governance Framework which may be followed. Note that the Standard is applicable guidance in England only and whilst we view it as good practice the conventions set out on page two of the standard are advisory only in application to Scotland. Reference to HM Treasury spending team for inclusion on the Government Major Project Portfolio (GMPP) does not apply in Scotland.

3. Further Guidance is also available through the [Scottish Government Good Governance Guide](#).

### Governance Structure

4. A possible project governance structure is shown below:





5. This structure is not absolute and should be adapted accordingly to ensure an appropriate and proportionate structure which is most relevant for the project.

### **Documentation**

6. Proportionate to the scale and complexity of the project, an appropriate documentation suite should be developed. This documentation will determine the rules for delivery of the project and outcomes and will assist in providing and maintaining direction for the project. This suite may include the following:

- Business Case and Options Appraisal
- Project Execution Plan
- Risk Management Plan and Register
- Programme and Project Board remits
- Change Control Plan
- Comms plan
- Project Programme

### **Summary**

7. A robust and efficient governance system is essential to support decision making and communications to any project, it ensures that timely decisions can be made and lines of responsibility are clear.