

ROBUST COST INTEGRATION TOOLS UNDERPIN ‘BEST IN CLASS’ DELIVERY OF EXPENDITURE PROGRAMMES



Maximising potential profit and informing cash-flow predictions

“The processes developed and the CIT provided extremely accurate cost data, with only +/- 1% margin for error - giving the Regulator upmost confidence in United Utilities’ PR09 proposal.”

EC Harris was commissioned to work in an integrated team with United Utilities in producing a full set of unit costs for Infrastructure Capital Delivery (ICD).

This project presented a significant challenge for the integrated team as United Utilities had never produced a full set of unit costs for ICD and no data points existed in United Utilities’ existing Unit Cost database.

The team was required to:

- Make data more visible, auditable and justifiable to the client and the Regulator
- Provide up-to-date and accurate cost data required for the PR09 process
- Provide information to support investment decisions to maximise potential profit and to inform cash-flow predictions
- Provide quality data for the procurement strategy and tender evaluation models on actual real data.

The purpose was to create an efficient model to collect and analyse actual outturn costs and provide real time management information. This would lead to an integrated and accurate unit costing system that would enable a robust PR09 Infrastructure Capital Delivery submission and would be embedded as ‘business as usual’ going forward.

Creating solutions

The project was managed and delivered as an integrated team between United Utilities, EC Harris and other consultants. United Utilities had one project manager responsible for the project and EC Harris appointed a commission manager to support the project manager in leading all facets of the commission.

To meet United Utilities' requirements, EC Harris mobilised a multi-disciplinary team with a range of professional skills including: Project Management, Quantity Surveying, Information Systems consultancy, Estimating and Project Controls.

Initially the integrated team developed an optimum process to collate data manually for unit cost purposes, ahead of programme, for the initial draft of the PR09 submission. This involved filtering data from United Utilities and contractor systems and implementing an area element coding process for all of the various construction activities within ICD. This was presented on a standardised data collection sheet. In conjunction with the manual process, United Utilities developed a web enabled Cost Integration Tool (CIT) to replicate the process developed by the integrated team.

Working in partnership with United Utilities, the EC Harris team supported the implementation of the CIT by drafting bespoke training and protocol material, delivering formal training sessions, carrying out user acceptance testing and upon going live ensured all projects collated manually were coded correctly on the CIT.

The CIT was successfully launched and is being implemented by the EC Harris ICD Estimating delivery team. It is becoming embedded in the day to day running of the client's business.

Adding value

The processes developed and the CIT provided extremely accurate cost data, with only +/- 1% margin for error - giving the Regulator utmost confidence in United Utilities' PR09 proposal.

The manual data collection exercise and the CIT provided further reassurances to both the client and the Regulator by providing: a full audit trail; increased confidence at project specific level by achieving a latest best estimate; more accurate cost data; easily accessible comparative data between estimated and actual outturn costs and increased accuracy of base rate data for unit costing.

The CIT proved significantly cheaper and faster for United Utilities than the previous manual process - capturing more than 80% of project data at circa £200k per annum in comparison to the manual process which captured 25% of project data at a cost of more than £500k per annum.

A combination of EC Harris' water sector knowledge, understanding the regulatory process, experience in delivering multi-serviced solutions and bespoke web-based systems allowed us to deliver the required solution to United Utilities.

Contact

Terry Poval

Partner, Head of Utilities

m +44 (0)7836 756 698

e terry.poval@echarris.com

w echarris.com/water