Green Paper: Constructing Excellence Response to Roadmap to Recovery

Going into the COVID-19 crisis the construction industry and its delivery models were broken. The crisis has highlighted those problems and the very real need to become a more productive sector that is resilient to future shocks. The sector has recognised the need to change and is working to become more productive but we are not yet fit for purpose.

We passionately believe that a more productive sector will deliver long term value and sustainability for the society that it serves. Construction and the built environment have a critical role to play in rebuilding the Post-Covid economy whilst creating social value and tackling the climate crisis.

1. The purpose of this document

This document is designed to get views from across the Constructing Excellence movement responds to the *Roadmap to Recovery – Industry Recovery Plan for the UK Construction Sector.* The roadmap has three phases – restart, reset and reinvent. The reset and reinvent stages are where the industry can move to a better future model and this is strongly aligned with the Constructing Excellence mission and vision.

We are seeking members views on how we as a movement demonstrate leadership in the shift to a better future model. Specifically:

- Do you have any specific examples of where your organisation is pushing the boundaries of sector transformation?
- What new ways of working and lessons learned during the lockdown period would you like to ensure the industry continues to embrace in the long term?
- What are the intermediate steps required to push us towards a more sustainable and productive sector?
- What other actions do you believe are necessary to long-term transformation?

We will be holding 2 online consultation sessions with members and the wider movement to socialise how our movement can respond. Building on the consultation we will call all members to join a webinar, which will outline the role of Constructing Excellence and the Construction Innovation Hub in helping the sector to embrace new and better approaches to building.

Any specific feedback should be sent to helpdesk@constructingexcellence.org.uk

2. Reset & Reinvent

It is imperative that any recovery plan is used to accelerate industry transformation. It should not be used to prop up out-dated and unsustainable business models and practices.

We face significant societal challenges around regional inequality and the need to move towards a more sustainable, carbon neutral society. The sector faces its own challenges around out-dated business models, poor leadership, a skills shortage, lack of investment in technology and low levels of productivity. In order to deliver to its full potential, the industry needs to invest in the long-term innovation and skills that will ultimately deliver these outcomes.

Government and industry must work collaboratively to build on the momentum that has been built through the Construction Sector Deal and unlock a more profitable, productive and sustainable sector. This will enable industry to invest in the solutions that will deliver on those opportunities including MMC, increased standardisation, skills and digital ways of working. We cannot go back to the old ways of working.

The economic stimulus package must accelerate transformation and shift the direction of travel. To sustain this there will need to be a reliable and trustworthy pipeline which will allow industry to invest in the innovation, capital and skills needed to deliver better projects and outcomes, including delivering a low-carbon built environment.

Let's use this moment as a positive disruption to reinvent as a better industry that delivers superior outcomes.

3. Procuring for value

CLC themes: Demand and Pipeline, Productivity, Value, Partnership

A recent survey of our members indicated that the majority of procurement decisions are still based on capital cost. Low profit margins and lack of commercial expertise are some of the biggest challenges facing construction procurement. In 2009 the financial crisis led to a many years of public sector clients focussing solely on cost. There is a fear at a local level that there will be a return to austerity, which ultimately had a huge impact on quality and sustainability. Inconsistency across procurement decisions drives waste and increases cost across the sector and there is now a tremendous opportunity to use strategic government investment to change this and enable the sector to deliver long-term value.

How do we achieve this?

- Government clients should focus on outcomes-based procurement at all levels of government expenditure – from major infrastructure projects through to small projects in local authorities etc. This enables and incentivises the supply chain to deliver the innovative, low-carbon solutions needed to maximise value.

- All clients should build on the work of the Construction Leadership Council and the Construction Innovation Hub on Procuring for Value. Procuring for Value provides the mechanism for clients to articulate and ask for what they genuinely want and need.
- Clients, particularly government clients, should implement collaborative procurement strategies such as Cost-Led Procurement, Two-Stage Open Book and Insurance Backed Alliancing, that have been demonstrated to deliver significant value through the Cabinet Office Trial Projects Programme. Good progress has been made on this through the Crown Commercial Service and this should become the standard for future procurements.
- Government must continue to see construction procurement as a strategic function. It should expand the approach from the CCS construction works framework, using it to drive collaboration through supply chains.
- Government should use the opportunity of post-BREXIT procurement rules to allow greater transparency and move away from lowest price tendering.
- Government should ensure that the legislative levers remain in place and indeed are tightened to deliver long-term value, particularly the quality, zero carbon and social value agendas.

4. MMC and manufacturing-based approaches

CLC themes: Productivity, Transformation

Some of the organisations more reliant on MMC were not as impacted by COVID, because they have far less labour on site. They didn't have to shut sites with the exception of sites where they struggled to get labour on site safely, MMC approaches where there is more control of site has enabled that to happen.

Social distancing and the 2-metre rule are unlikely to go away in a hurry, so we need to think about how components can be installed, maximising the activity that can be carried out in controlled environments. This can only be done through greater efforts to understand the product and its application. Collaborating with manufacturers will allow them to innovate more effectively, developing the products that will really solve our problems.

There is a disconnect between construction and the manufacturing base. Manufacturers are an important part of the construction industry, but the sector is very bad at engaging with those manufacturers.

How do we achieve this?

- Embrace consistency and platform-based approaches to unlock the potential of technologies such as MMC, particularly building on the Construction Innovation Hub's platform approach.
- Engage early with supply chains to fully benefit from the knowledge and innovation that exists right across the supply chain. Work in partnership with industry to develop the commercial models that will support this.

- Create an ecosystem of understanding, allowing manufacturers greater insight into how their products are used and installed. Clients need to drive this. Tier 1s and designers need to open-up a more effective dialogue with manufacturers at an earlier stage, rather than treating products as commodities.

5. Digitally-enabled

CLC themes: Productivity, Transformation

Digitalisation has a crucial role to play in enabling us to collaborate and move to data-based decisions. We have many experienced people across the industry relying on their own knowledge and experience to make the right decisions, if we back their knowledge up with data, we can deliver significantly better outcomes.

Lockdown has highlighted the lack of trust in systems and people. People are much more trusting of those technologies and are having to do it for themselves. It's demystified the technologies and increasing productivity. As individuals become more engaged with the existing systems, they are trying to push the boundaries of those systems.

How do we achieve this?

- Capitalise on the momentum that has been built around the digital agenda, to embed digital tools which enable data-driven decision making and improve whole life outcomes.
- Work collaboratively to remove the cultural and contractual issues that hold back digital collaboration.
- Embrace skills and expertise from outside the traditional construction sector to enhance digitalisation in the sector.

6. Investment in R&D

CLC Themes: Productivity & Transformation

Low margins have held back innovation and research within the sector. To deliver long-term profitability and future resilience we must accelerate the pace of innovation. Construction accounts for less than 1% of UK R&D whilst accounting for around 7% of the economy. This lack of investment not only holds back productivity and growth but also limits our ability to tackle long-term issues such as zero carbon.

How do we achieve this?

- Government should continue to invest in strategic R&D programmes such as the Transforming Construction Challenge Programme and the Construction Innovation Hub.

- Industry should increase its investment in R&D taking advantage of the schemes available such as R&D Tax Credits.
- Industry and academia should work more closely to improve the relevance of and implementation of research findings.

7. Leadership and Culture

CLC Themes: Professionalism and Partnership

Constructing Excellence has long been the champion of collaboration and collaborative working in the sector. The COVID-19 situation has highlighted the need for collaboration across the entire supply chain in order to create a more resilient and productive sector. The prevalent culture, behaviours and styles of leadership have been broken for some time making the industry unattractive and lacking diversity. The industry needs to engage with a new, more inclusive style of leadership.

The sudden shift to home working has demonstrated that people can be trusted to work remotely, are more productive and can maintain better work/life balance. Just as procurement must focus on outcomes rather than inputs, so organisational cultures must shift from hours worked towards outcomes and value delivered.

How do we achieve this?

- Invest in and support the development of future leaders through initiatives such as Generation4Change.
- Re-assess the role of leaders, considering how technologies and shifts in working patterns can improve productivity and inclusivity.
- Implement the principles of collaborative working across organisations and projects.
- Build on the trust in employees that COVID has demonstrated.
- Continue to emphasise and support health and wellbeing initiatives.

8. Zero Carbon

CLC Themes: Demand and Pipeline, Productivity, Transformation, Value

The significant progress in decarbonisation must not be lost. The shift to a zero carbon society requires an in-depth consideration of how we design, build and operate our built environment. Going forward projects that deliver carbon neutrality are significantly more likely to proceed. Focussing on value, standardisation and digitalisation are key enablers of zero carbon.

How do we achieve this?

- Government should retain and strengthen the fiscal and legislative levers to drive decarbonisation through planning and regulation.
- Clients should embed whole life carbon performance in their procurement processes.
- Clients should work collaboratively with their supply chains to develop and procure low carbon solutions.
- Supply chain should examine opportunities to deliver carbon reductions across their products, processes and outputs.

9. Background information and resources

Links to some of the outputs and publications that have informed this Greenpaper.

Workshop Outputs

- 10 Takeaways from our visit to JLR – What can construction learn from automotive? March 2020
- Can COVID help us unlock the manufacturing conundrum? April 2020
- CCS Construction Works Framework and meeting note from CE Procurement Group, April 2020
- G4C Virtual Project 2020 Blog, May 2020
- How can culture and procurement influence sustainable outcomes?, April 2020
- How will COVID19 impact Offsite Manufacturing & Technology?, April 2020
- The Grand National – runners and riders in our new context, March 2020
- Working with supply chains to deliver sustainability March 2020

Reports & Publications

- Changing Business Models: Implications for Construction, Transforming Construction Network Plus, March 2020
- Fine Margins: delivering financial sustainability in UK construction, CBI, February 2020
- Modern Collaborative Working: The Top 10 of what to do and how to do it. Constructing Excellence, March 2020
- Modernise or Die, The Farmer Review of the UK Construction Labour Model, Construction Leadership Council, October 2016
- Never Waste a Good Crisis, Constructing Excellence, October 2009
- New Models of Construction Procurement - Cabinet Office Trial Projects - Reports and Case Studies
- Nuclear Factory Thinking – Procuring for Productivity – Transforming procurement to become the enabler, May 2020
- Organisational Resilience – Are we built on a house of cards?, Project 5, May 2018
- Procuring for Value, Construction Leadership Council, July 2018
- The Future for Construction Insurance, Lucas Fettes & Constructing Excellence, December 2016