

BUILDING BACK WALES

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**CONSTRUCTING
EXCELLENCE**
IN WALES

FOREWORD

Construction is not in good shape.
It wasn't before COVID 19 and it isn't now.

Welsh construction is currently not fit for purpose. It's fragmented, often adversarial, and not in a suitable condition to provide the foundations required for the wellbeing of future generations. It must change. With the threat of Brexit and the virus there is fresh impetus for reform. However, the COVID19 crisis has proved one thing – that the construction industry can rise to a challenge; it can change.

The construction industry is primarily about problem solving, and the exemplar delivery of the COVID19 field hospitals prove that it can and will deliver exactly what is required given a sense of urgency. The process re-wrote many of the sectors rules and success was achieved with a totally different mindset, not the custom and practice of the past. It required leadership and empowerment and a vision that was compelling. We need to bring what we have learned to the mainstream.

In 2020, in the face of a generational crisis in COVID19 and the potential uncertainty of Brexit we now need all elements of the Welsh construction sector; clients, regulators and the supply side to pull in one direction to enable Wales to deliver a dynamic, flexible and efficient built environment.

This paper discusses how new rules might be created. It outlines the conditions that will help develop the right mindset. We are recommending –

- A review of the construction industry’s delivery of field hospitals and its wider behaviours during the pandemic
- Put construction at the heart of Welsh Government with the establishment of a Construction Forum with a Minister leading it.
- Welsh Government to commission a detailed pan-industry report on how Welsh construction can deliver what the nation needs in line with Wellbeing for Future Generations Act targets and guidelines

The time for change is now. We believe leadership is key; but let us not think it is for others to lead us. Collectively and collaboratively we must all play our part to change out of today into our future.

This paper and its themes are supported by these Welsh bodies.



INTRODUCTION

Now is the time for Welsh construction to change for the better. With or without the COVID19 crisis, Welsh construction needs rethinking. The virus has served merely to put our industry and society as whole under a microscope. This paper is about ensuring that as we learn the lessons of the pandemic and move on, we do not lose sight of the underlying issues that urgently needed addressing before the crisis hit in February.

The Welsh construction industry is the fifth largest employer with over 100,000 jobs, with many other jobs reliant on the industry. Construction contributes around 6% of GDP and is therefore critical to the wellbeing of the nation, cutting across almost every aspect of Government policy. It is central to tackling the climate emergency. And it is the key enabling factor required to deliver the Government's aspirations as defined in the Wellbeing of Future Generations Act



the 5th largest employer
100,000+ jobs

Key priorities such as decarbonisation can only be delivered in partnership with the construction industry. Housing, schools, healthcare and transport projects cannot meet the Government's vision without a progressive construction sector focused on sustainability, functionality and wellbeing.

Yet Constructing Excellence Wales is being repeatedly told that the current business model for construction in Wales is not fit for purpose. It is fractured. The industry must solve its financial, operational and cultural issues before it can fulfil its obligations towards the economy, the environment and the people of Wales.

This paper addresses three important issues.

First, it sets out the industry's current problems and identifies the barriers to progress. Second, it proposes the steps that must be taken to solve these problems and move the industry forward. And third, it considers a new business model for construction in a post-COVID19 world.



Construction contributes around **6% of GDP**

1. WHAT IS WRONG WITH THE WELSH CONSTRUCTION INDUSTRY?

Current procurement processes must change and present a huge opportunity to drive meaningful, long-term progress in Welsh construction. Negative feedback about procurement in the public sector continues in spite of efforts to adjust models and frameworks in line with the Government's goals and objectives.

Procurement is still heavily based on price rather than value. The measure of success is too often cost savings rather than beneficial outcomes and long-term value. For example, what makes a successful hospital project? A building completed for the lowest possible cost – or a facility whose design and operation supports the delivery of clinical services and enhances the wellbeing of patients?

Lack of vision, and a narrow focus on short-term gain, is endemic in both the private and public sectors. It affects clients and contractors alike. There is an aversion to risk, leading to widespread reluctance to innovate and find a better way. We continue to do things in the same old manner, using the same old materials, refusing to take advantage of low carbon materials or modern methods of construction.

In the private sector, for example, the Government hopes to encourage the development of low carbon homes. But cost and market forces continue to trump the long-term gain from creating zero-carbon communities. Housebuilders are failing to adopt the ideas and products stemming from Design for Manufacture and Assembly (DfMA).

Yes, there are pockets of excellence, but they are few and far between. The Egan and Latham reports of the 1990s initiated a move away from old habits and adversarial practices. Unfortunately, these are now creeping back. Welsh construction as a whole has been slow to embrace collaboration and digitisation (including BIM and blockchain technology). Companies pay lip service to decarbonisation while ignoring practices such as tracking the embodied carbon in materials.

These tendencies are compounded by two issues. First is the ongoing skills shortage. Skills ranging from bricklaying to plumbing, design, drawing, planning and project management are lacking across the public and private sectors alike. COVID19 and Brexit can only exacerbate this trend.

Second is the perceived lack of leadership. Many in the construction sector feel that the industry lacks leadership and backing from Welsh Government. There is no true partnership – yet the Government could play a crucial role in guiding the behaviour of public sector clients to encourage collaboration, avoid disputes and promote best practice.

2. HOW CAN WE FIX IT?

Constructing Excellence Wales recommends a series of actions to tackle these deep-rooted problems.

- The industry as a whole must commit to using value and outcomes as measures of success as opposed to cost. We need new rules (perhaps even legislation) around best value, so that funding is linked to outcomes. Pounds spent should be set against wellbeing and benefits to the community, environment and wider economy.
- Projects seeking Government funding or grants must deliver against the carbon reduction, wellbeing of future generations, community benefits and active travel agendas.
- Public and private clients must ensure the principles of the WFG Act are at the heart of the procurement (including planning and design) process. It means adhering to sustainable development goals. It means being prepared to rip up existing method statements in order to embrace new ways of thinking that address issues such as the climate emergency, the shift in demographics and changes in how we use public transport.
- Public sector bodies must commit to better integration of the procurement process, including early contractor involvement. Public contracts should require evidence of real commitment to collaborative working.
- The industry must commit to continuous performance improvement in all key delivery areas, with accurately measured KPIs monitored by an objective independent body.
- The industry must undertake to upskill the workforce at all levels and ages, not just through apprenticeships but to degree and postgraduate levels.
- The Government, industry leaders and major public sector clients need to demonstrate clear support for this approach.

Improved leadership

While there are many capable people managing projects and procurement, there is no single political leader providing the clarity of vision required to focus efforts on industry change.



To promote a genuine partnership with Welsh Government and achieve a unified, collaborative approach, we recommend:

- Establishment of Construction Forum with a Minister chairing that is responsible for the performance of the sector, reforms, and adherence to WFG Act goals and objectives, as well as oversight of all public sector bodies' construction activities.
- Recognition that Welsh Government needs to have a single interface between industry and Government comparable to that of Build UK or the Construction Leadership Council in England.
- Welsh Government to introduce reforms that will –
 - Establish value and outcomes as measures of project success
 - Establish a set of client behaviours to be used as a benchmark of best practice
 - Streamline bureaucracy
 - Remove barriers to enable collaboration and integration, encouraging a 'can do' culture built on trust and good behaviour as demonstrated in the delivery of the field hospitals
 - Commit to supporting SMEs and the wider supply chain – 99% of contractors in Wales are SMEs – to encourage a better return on the Welsh pound in Wales
 - Establish and fund a single entity to act as one voice for construction.

Delivering decarbonisation

Wales and the planet are facing a climate emergency. The construction industry must play its part in minimising the environmental impact of its activities and supporting the Government's sustainable development goals. It can do this through measures such as:



- Using materials with zero carbon, or as low an embodied carbon level as possible.
- Assessing the logistics underpinning construction projects to ensure sustainable practices.
- Employing as much local labour as possible to minimise travel and support local economies.
- Challenging clients and designs if a scheme does not prioritise environmental and wellbeing goals.

3. THE POST-COVID19 WORLD

Things are moving fast as the UK and Wales move out of lockdown. Every sector of the economy is demanding attention, some of it in the form of financial support or social distancing guidance. It's vital that the construction industry learns the lessons of the COVID19 crisis, while at the same time tackling the industry's inherent weaknesses.

CEWales wants to see a plan for the future of the industry in the short, medium and long term. We are recommending the following immediate actions, geared to establishing a foundation on which to build a new business model for Welsh construction. The model must be flexible and adaptable, able to respond to a crisis comparable to COVID19, but also capable of delivering a decarbonised environment aligned with WFG Act principles.

- 1** Conduct a review of the construction industry's response to COVID19, its delivery of field hospitals and its wider behaviours during the pandemic, and how the lessons learnt can be applied across Welsh construction.
- 2** Establish the Construction Forum as the voice of the industry to Government.
- 3** Welsh Government to commission a detailed fast-tracked report (delivered by October 2020) with pan-industry support and input on how Welsh construction can deliver what the nation needs in line with FGA targets and guidelines. The report would include –
 - The review of the industry's response to COVID19
 - A wholesale assessment of the procurement and delivery process
 - Analysis of (and recommended solutions to) the perceived barriers to improvement in Welsh construction.

Ideally, the report would be commissioned by the Construction Minister or Minister for Economy and Transport, and report to the proposed Senedd committee.

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