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CONSTRUCTING
EXCELLENCE
IN WALES



No Turning Back

REVIEW

SEPTEMBER 2015

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Constructing Excellence in Wales: No Turning Back

1. Foreword

‘No Turning Back’ was a ground-breaking publication that gained the support of Welsh Government and the industry with its clear recommendations for how Welsh public sector construction needed to change.

That was five years ago. But has our industry moved on? How has construction in the public sector fared against the recommendations set out in October 2010?

There is no doubt the ‘No Turning Back’ report created momentum, and its recommendations established a strong platform for improvement. Indeed, a great deal of the momentum and foundation for change has stemmed from the support and leadership of Jane Hutt AM, Minister for Finance and Government Business. Some commentators have suggested that significant progress has been made, pointing to the Welsh Government’s Procurement Strategy, Supplier Qualification Information Database (SQulD), the Forward Programme of Work and the creation of a Community Benefits Toolkit. But the only way to find out for sure is to ask the industry directly. That is why we have commissioned this review.

We surveyed stakeholders and conducted in-depth interviews with decision-makers from the construction supply chain to find out what they thought of public sector procurement and delivery in Wales today. What progress has been made? Have practices become more collaborative? How far have procurement and payment processes been standardised? Has value superseded lowest price as the winning criterion in project bids?

While few dispute the value of our original recommendations, progress has been patchy. Stakeholders across the industry have mixed feelings about the changes that have, or have not, been made. There is little consensus on the state of Welsh public sector construction procurement and delivery today – except that it is not where it needs to be.

One of the key messages is that the focus on procurement may have been counter-productive. Procurement is not just tendering. It should be about a holistic approach to planning, bringing partners on board and delivering to satisfy stakeholders’ requirements. It does seem that the industry has become bogged down in prescriptive detail about processes and initiatives, when the real issue is delivery and delivery of best value.

We know great work is being done by many people in central and local Government, their agencies and the supply chain as a whole. Now we need to take what’s gone well and make it better. More importantly, we must analyse what has gone less well, find out why and improve upon it.

To that end, we are hugely grateful to the respondents to our survey, the interviewees and the support of the stakeholder groups CEW reports into. Throughout the report there are challenging findings and refreshing opinions that have helped us to learn and draw valuable conclusions from the last five years. We need to accept the criticisms, build on the positives and work together to take our industry forward.

Simon Lander, Chair, Steering Group

2. Executive Summary

This report updates progress since the 2010 'No Turning Back' report on the case for a renewed emphasis on best value and collaborative working in public sector construction procurement.

It identifies significant achievements, but also reports on the gaps between current and best practice as recommended in 'No Turning Back'.

Advances have been made in the visibility of the public sector construction pipeline; in communication and collaboration and particularly in the contribution

of public investment works to sustainable community benefit, employment and training.

Progress has not been so good in overall procurement capability and expertise; moving from lowest price to value in tender evaluation and in reforming payment processes.

In the light of these findings, 'No Turning Back - The Review' makes five new recommendations with a view to getting the process back on track:

1. Public sector clients must improve the **visibility** of information in construction programmes and make clear when projects will be coming to market. Stronger **communication** between clients and suppliers is essential to enable better resource planning.
2. Clients must use **standard processes** in a consistent fashion. Funding should be withheld from projects not based on value outcomes. Cross-industry working groups should determine procurement processes most likely to deliver greatest value. The **Client Commitment Charter** should be reviewed, updated and mandated across the whole sector.
3. **Key performance indicators** should be recorded and reported for every public sector project to achieve value.
4. The **competency and capability** of public authorities to procure construction activity should be assessed and improved.
5. Government and major public clients must lead the way in adopting **simple processes, open communication and fair payment practices**.

With all areas of the UK competing for funds to develop their built infrastructure, Wales must show that its own construction sector is capable, confident and well placed to add real value to every pound spent on public sector programmes.

3. Findings & Analysis see table on page 10 for a summary

3.1 Why review 'No Turning Back'?

CEW published its ground-breaking 'No Turning Back' report in 2010, challenging Welsh Government, public sector clients and the construction industry to move beyond the culture and thinking of the past. We said that procurement based purely on lowest price competition was counter-productive and impeding the construction sector's ability to lead the Welsh economy back into growth.

The report made six recommendations:

- Welsh Government and all public sector organisations should provide greater visibility of forward programmes of work and bring projects more quickly to market
- Procurement processes should be standardised
- Fully collaborative procurement strategies should be implemented, focused on best value outcomes
- Payment should be prompt and based on standardised processes
- The capacity and competence of public sector construction procurement teams should be reviewed
- Sustainable benefits for local communities and the environment should become mainstream practice.

The report set the agenda for change and led to a number of significant initiatives (see 3.2). However, five years is a long time in a fast-moving industry central to the Welsh economy. The environment within which the construction industry operates has changed – politically and financially. Indeed, one of the drivers behind the original 'No Turning Back' report was the concern that the period ahead was going to be turbulent.

'No Turning Back' set challenging targets and there is a sense that the going has been tough and progress uneven. Much depended on educating and influencing local Government clients and their procurement professionals. The sheer number of stakeholders has certainly been a significant barrier to change.

Five years on CEW commissioned a follow-up report to see what progress had been made against the 2010 recommendations, identifying remaining gaps and making new recommendations. We surveyed stakeholders and conducted in-depth interviews with decision-makers.

3.2 What has been achieved?

The five years since the first report have seen much activity, including four key initiatives: SQulD; the Forward Programme, the Community Benefits Toolkit and the Welsh Government Procurement Strategy. Local authorities have also been active in setting up regional frameworks to streamline procurement.

There have been several positive developments in visibility and communication, including the Wales Infrastructure Investment Plan (WIIP) and the Sell2Wales portal. SQulD and Frameworks were felt by many to be helpful in standardising processes, while the Client Commitment Charter and direct stakeholder events are seen to be supporting collaboration and better communication. There was almost unanimous agreement that sustainability and community benefits have become integral to project delivery.

"The industry is in a much better place now than the late 90s – it's not so confrontational", said one contractor. Organisations such as Considerate Constructors, CEW and Value Wales, and initiatives such as community benefits were picked out as leading to improved practices. Respondents commented that the emphasis on collaboration has provided better access to information and resources.

3.2.1 Visibility

The 2010 report called for the development of a comprehensive programme of infrastructure and other works across the public sector to enable the industry to plan more efficiently. Almost half the respondents agreed that this is happening. The Wales Infrastructure Investment Plan (WIIP), Sell2Wales, the CEW Capital Programme and direct stakeholder events were all regarded as helpful in acquiring information and targeting bids.

3.2.2 Procurement

Although consistent procurement remains a weak point (see 3.3.2) there has been some progress. “Average price tendering has been a step in the right direction”, said a consultant. “Procurement consistency in the documents among schemes is much improved.” Another added: “The move to a standard ‘portal’ has been good and has saved wasted time. A lot of effort has been put into standardisation and use of regional frameworks to simplify the procurement process.”

A standardised pre-qualification process should eliminate much of the waste and duplication from the tender process. Key to this is SQuID, set up by the Welsh Government in 2011.

Generally, this has been welcomed by the industry and most respondents felt it has improved matters. “The feedback is that it works well and saves time”, said one public client. “It provides fairly straightforward choices for engagement of contractors”, agreed another.

3.2.3 Collaboration

Respondents to our survey recognised that progress has been made on collaboration. “Welsh Government is more collaborative. Companies are demonstrating that collaborative practices are being more successful, so others are following”, said a consultant. Another felt the industry is “definitely working together more, both in building and sharing information generally.” “There is definitely greater commitment to collaboration via procurement processes based around ECI (Early Contractor Involvement)”, agreed a third.

Several respondents pointed out that Building Information Modelling (BIM) is the key to collaboration and integration. “Contractors and the supply chain need to be together earlier”, said one consultant. “There is a complete change in culture using BIM Level 2 – we have to communicate, and this forces commitment to collaboration.”

3.2.4 Community and sustainability

The contribution of construction and public investment works to sustainable benefits for local communities and the creation of employment and training opportunities were clearly recognised by over three-quarters of our survey respondents.

This consultant’s comment was typical: “There’s a good focus on community benefits, and where it’s done well we see jobs and investment in community needs. There’s been a big shift in the approach to consulting with communities who have the chance to influence the outcomes. The good stuff that comes out of Welsh Government in the way of policy guidance is being implemented on the ground.” A public client asserted that community benefits are “embraced within tenders now and are being delivered.”

There is a strong view that waste reduction and low carbon are taken seriously, with almost 60% of respondents agreeing. “Major contractors are very focused on this”, said a consultant, “because of the economic value in reducing waste and carbon footprint, plus CSR (Corporate Social Responsibility) and good PR (Public Relations).” “My background is highways and transportation; and in civil engineering there has been real progress”, said another. “Organisations limit waste and recognise the links to energy and cost.”

The embedding of sustainability and community benefits at the heart of public construction programmes is proof that positive change is possible.



3.3 Where Are The Gaps?

Despite the achievements and progress detailed above, there are still gaps that need to be recognised and addressed. The capability of public sector procurement teams and the inconsistency of payment approaches are particular concerns.

Fragmentation of the industry and inconsistency are still key issues in project delivery, identified by both demand and supply sides. One contractor commented that “Inconsistent and often incoherent tendering strategies plague the pursuit of value for money; and any pockets of good practice fail to gain traction widely.” A public client who sits on a national asset working group thinks the process still seems “very fragmented”, dominated by “lots of different frameworks with everyone doing their own thing”.

3.3.1 Visibility

The visibility of programmes of work have improved significantly over the last five years but some feel that communication could be better. Respondents referred to unclear timescales and a failure to update information, with practice varying between clients and schemes.

3.3.2 Procurement

The original ‘No Turning Back’ report emphasised the need to move from lowest price to value in tender evaluation. This shift is not happening quickly enough according to some respondents. “There is still a massive drive towards lowest price or lowest rates at tender stage”, said one consultant.

Framework agreements have many advantages, but criticism remains that they favour larger companies at the expense of smaller practices who may provide better value. Respondents pointed to barriers such as high financial thresholds for participation, emphasis on prior relationships or long track records and a requirement for high professional indemnity.

The consistent application of procurement processes is a weak point with a majority of respondents saying this is not happening. One contractor noted “a very different array of procurement practices across all local authorities and Welsh Government.”

Frameworks should promote standardisation and consistency but the number of different agreements causes some frustration. One contractor, involved in three frameworks, said: “There is absolutely no procurement consistency. Each one asks different questions, and when you get into each framework there are further differences, including the contract form.”



3.3.3 Collaboration

Some respondents identified a lack of leadership and a reluctance to change as obstacles to true collaboration. As one client put it; “Partnering and commitment to collaboration seems to have come from the industry side; not the client side. At presentations and conferences, ministers talk the talk but never seem to put this into action. We are money led, not outturn led.” A contractor commented: “Local authorities are the problem – they want to act individually. Local authorities need a culture change. Some local authorities are not working with contractors pre- or post-tender to manage programmes.”

Although BIM has clearly been recognised as driving collaboration and integration, there are concerns that the changes in culture and practice it requires are

not being adopted quickly enough. One contractor commented: “BIM is not understood and traditional procurement approaches are being utilised with BIM when early collaborative supply side involvement is essential.”

3.3.4 Payment

The ‘No Turning Back’ report in 2010 called for a best practice approach to payment, with standardisation across the public sector to help the construction sector sustain cash flows. Half the respondents said this is not happening.

The chief criticism is inconsistency, with public sector clients adopting different payment processes. The Fair Pay Charter and Project Bank Accounts are seen as good ideas that are not being consistently applied.

3.3.5 Capability

For many respondents, the issue of competence goes to the heart of what is wrong with public sector procurement. One of the strongest messages of the survey was that professional procurement teams lack skills and expertise.

Criticisms centre on the lack of experience of construction in procurement teams, with staff coming from an administrative or accounting background rather than construction or civil engineering.

There was also a feeling that procurement teams have become too dominant within the delivery process. “Procurement people have become more influential at the expense of input from civil engineering professionals”, said a private contractor.

3.3.6 Community & Sustainability

The contribution of construction to sustainable community benefits has been a strong point recognised by survey respondents, but there are a few reservations.

Some felt that while the Welsh Government had taken a strong lead on the issue, hearts and minds remained to be won. “Not all professionals are comfortable with community engagement”, said one consultant.

Other criticisms related to the fact that sustainability was taken more seriously on large than small projects; that companies from across the border were only paying lip service to local employment and community benefits; and that training and job opportunities were often short term.

4. Summary Table

In the table below, we compare the original recommendations from the initial ‘No Turning Back’ report in 2010 with what has been achieved since, highlighting the gaps and issues identified in the ‘No Turning Back – Review’ report.

What was recommended?	What was achieved?	Gaps/Issues
Greater visibility and quicker move to market	<ul style="list-style-type: none">• CEW/Welsh Local Government Association (WLGA) Forward Programme developed – Includes all local authorities & being extended to other clients• Wales Infrastructure Investment Plan (WIIP) launched – produced biannually• Sell2Wales portal established• Increased number of direct stakeholder events, including ‘meet the client’	<ul style="list-style-type: none">• Information should be kept up to date and accurate. The programme should be extended to all clients, public and private• Unclear if speed to market has increased
Standardised procurement process	<ul style="list-style-type: none">• Pre-qualification process has been standardised through SQulD• Frameworks established in an attempt to streamline and standardise practices	<ul style="list-style-type: none">• SQulD not applied consistently• Procurement practices within regional frameworks are highly variable, leading to widespread frustration among suppliers and poor outcomes amongst many clients
Implementation of a fully collaborative procurement strategy focused on outcomes and value	<ul style="list-style-type: none">• Construction Procurement Steering Group established• Construction Procurement Strategy developed and launched• Collection and dissemination of examples of best practice is progressing• Construction Commitment Charter developed by Steering Group• Major frameworks seek to promote collaborative principles	<ul style="list-style-type: none">• Industry perceives limited adoption of collaborative practices• There has been very limited sign-up by Public Sector clients to Construction Commitment Charter• Performance in terms of collaboration and value is highly variable across Wales – including within regional frameworks where clients operate largely as individual deliverers
Prompt payment via standardised forms of payment	<ul style="list-style-type: none">• Pilot schemes set up to trial project bank accounts• Fair payment clauses introduced into contracts	<ul style="list-style-type: none">• Industry believes many clients remain indifferent to improved payment practices• Over 50% surveyed say standardisation in terms of payment is not happening
Review of capability, capacity and structure of construction procurement teams	<ul style="list-style-type: none">• Review conducted of Public Sector procurement competency and capability (Procurement Fitness Checks), but not specifically focused on construction	<ul style="list-style-type: none">• Only 10 out of 22 Welsh Local authorities are considered satisfactory following Procurement Fitness Checks• Industry perception of competence is low – only 25% of those surveyed say it's good
Sustainable benefits for local communities and the environment	<ul style="list-style-type: none">• Community benefits now mainstream• Value Wales measurement tool widely used on projects• Growing number of Exemplar schemes demonstrate best practice• Welsh Government policy statements support the principle of community benefits	<ul style="list-style-type: none">• Industry perceives client commitment as mixed even when targets are written in to contracts• More data needed on what's achievable so that realistic benchmarks can be set and pursued

5. Conclusions

This report presents a mixed picture. There has clearly been progress on the recommendations of five years ago, but not at the extent or pace needed.

There is now greater visibility in terms of public sector programmes of work, but this needs to be built on with greater detail introduced into these programmes and better communication by public sector clients to their supply chains – via frameworks, where they exist.

There has been progress made in standardising aspects of the procurement process, however; the opportunities to drive improvements through consistent implementation, based on best practices, are still not being fully exploited across Wales, as different clients continue to approach the market in very different ways, despite there being increasing evidence that collaborative behaviours and modern procurement processes deliver greater value to the public purse. Client commitment to these better practices remains low.

There is inconsistency around the implementation of the ideas that most agree will have a positive effect on delivery of construction projects in the Welsh public sector. This has led to feelings of frustration among stakeholders to varying degrees, and also confusion as different stakeholders have their own perspective on what works and what does not.

All these bodies are striving hard within their respective parameters, often in difficult operating environments, to improve performance across Wales. What needs to be done now, however, is to cut through the talk and start taking the action required to push things forward.

As Simon Lander, Chair of the Task Group, states in his foreword to this report:

“One of the key messages is that the focus on procurement may have been counter-productive. Procurement is not just tendering, it should be about a holistic approach to planning, bringing partners on board and delivering to satisfy stakeholders’ requirements. It does seem that the industry has become bogged down in prescriptive detail about processes and initiatives, when the real issue is delivery and delivery of best value”

Therefore, whilst progress has been made in developing and standardising processes to support procurement, as set out in the original report, there remain significant cultural and behavioural issues amongst those implementing and delivering construction and infrastructure works and significant inconsistencies, albeit amongst pockets of very good practices.

6. Recommendations

This section proposes a series of recommendations for placing Welsh construction at the heart of a sustainable delivery programme through to 2020. These are based on the feedback received during the survey, our report of the findings and subsequent discussions with stakeholders.

In the light of these findings, 'No Turning Back - Review' makes five new recommendations with a view to getting the process back on track:

1. Public sector clients must improve the **visibility** of information in construction programmes and make clear when projects will be coming to market. Stronger **communication** between clients and suppliers is essential to enable better resource planning.
2. Clients must use **standard processes** in a consistent fashion. Funding should be withheld from projects not based on value outcomes. Cross-industry working groups should determine procurement processes most likely to deliver greatest value. The **Client Commitment Charter** should be reviewed, updated and mandated across the whole sector.
3. **Key performance indicators** should be recorded and reported for every public sector project to achieve value.
4. The **competency and capability** of public authorities to procure construction activity should be assessed and improved.
5. Government and major public clients must lead the way in adopting **simple processes, open communication and fair payment practices**.

