

## **LOCAL GOVERNMENT AND HOUSING COMMITTEE**

### **'UPDATE ON RETHINKING CONSTRUCTION'**

#### **Purpose**

1. The purpose of the report is to:
  - a) give the Local Government and Housing Committee a further progress report on 'Rethinking Construction' as requested by the Chair following the report to the Committee on 20 June 2001.
  - b) seek the Committee's support for proposals for future action.

#### **Recommendation**

2. The Committee is recommended to:
  - a) note progress
  - b) seek a further report on progress in January 2003
  - c) endorse the proposals for future action at para. 22

#### **Timing**

3. The report is presented to enable the Committee to be involved in and support the forming of guidance on best practice in construction procurement in the public sector.

#### **Background**

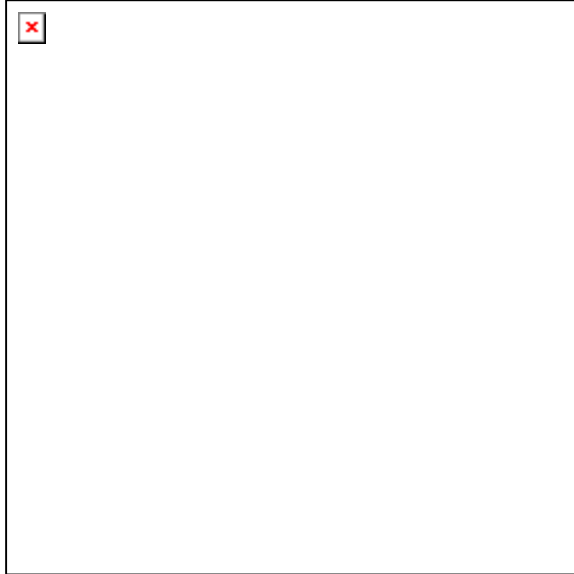
### **RETHINKING CONSTRUCTION**

4. The Egan Report 'Rethinking Construction' was published in 1998, recommending a commitment to continuous improvement of the construction process with the whole supply chain involved. Since its publication the profile of the construction agenda has been raised sharply, particularly on issues of Health and Safety. UK Government and Assembly policies have increased the need for public sector clients to fully implement the principles of 'Rethinking Construction' which are now firmly established and recognised as best practice.

5. At the LGH 09-01 Committee meeting on 20 June 2001 Item 4: 'Rethinking Construction':

The Minister said that it was important for the Assembly to support and implement Rethinking Construction in public sector construction procurement. This would improve the quality and cost effectiveness of its investment and assist in the delivery of 'best value' construction projects in the future.

The Minister said that there was an expectation that the Assembly would produce guidance on how Rethinking Construction principles could be built into procurement methods.



Members endorsed the proposal that the Assembly in consultation with the Welsh Local Government Association should ensure that local authorities in Wales were advised of guidance produced by the Local Government Task Force.

The Committee endorsed the recommendation that the Housing Directorate should convene a Construction Forum of representatives from the Assembly and other public sector client bodies.

## **UK GOVERNMENT AND RETHINKING CONSTRUCTION**

6. In June 2001 the Department of Trade and Industry (DTI) took over responsibility for the Rethinking Construction campaign, sponsored by its Construction Division. It is Government policy for all sponsoring Departments and associated Non Departmental Public Bodies to fully implement the principles of Rethinking Construction by 2003-04. The DTI has confirmed that funding for the Rethinking Construction programme will continue until March 2004. In August 2001 the Minister for Construction stated that the structure of Rethinking Construction should be streamlined and that the emphasis should be on more widespread industry ownership, especially in the regions, and on improved dissemination amongst SMEs.

### **Strategic Forum for Construction**

7. In June 2001 the Construction Industry Board (CIB) was wound down and a Strategic Forum for Construction was established under the chairmanship of Sir John Egan representing Government, construction clients and suppliers and the Strategic Forum of National Training Organisations. The Strategic Forum will focus on three priority objectives of Rethinking Construction:

- The need for integrated supply teams
- The need for clients to be committed to and lead best practice and,
- The need to address 'people' issues.

## **Rethinking Construction Ltd**

8. The DTI now sponsors a single company, Rethinking Construction Ltd, to coordinate the individual parts of the programme:

**Movement for Innovation (M4I)**, promoting Rethinking Construction in the non-housing sectors of the industry and developing the regional network.

**The Housing Forum** promotes 'Rethinking Construction' amongst housebuilders and clients.

**Local Government Task Force (LGTF)** promotes 'Rethinking Construction' among local authorities in England.

**Construction Best Practice Programme (CBPP)** disseminates best practice information for improving the business management of construction.

**Respect for People**- the report 'A Commitment to People: Our Biggest Asset' and its associated toolkits - produced by the Rethinking Construction Respect for People Working Group – responds to the challenge to find practical and effective ways for the construction industry to radically improve its performance on 'people issues'. It identifies six action themes: Diversity, Site welfare, Health, Safety, Lifelong learning, and Off-site welfare. It proposes radical improvements that can be measured and tracked through a set of Key Performance Indicators (KPI's) and has developed a set of toolkits for each of these themes to help organisations to assess, monitor and benchmark their performance.

## **Health and Safety Executive**

9. The Health and Safety Executive "Revitalising Health and Safety" and "Working Well Together" campaign and Rethinking Construction are working together on Respect for People. A programme of action was launched at the Government Health and Safety Construction Summit in February 2002, setting targets for improving the industry's health and safety record.

## **Construction Industry Training Board (CITB)**

10. The industry in Wales needs to recruit and retain over 3,000 new people every year for the next five years. The CITB Equal Opportunities Strategy promotes a diverse workforce and offers support through various programmes for employers to increase recruitment of local and diverse labour.

## **Local Collaborative Partnerships (LCPs)**

11. LCPs are designed to recruit more Black and Asian people and women within the construction industry. CITB Wales is developing LCP projects with local partners such as Housing Associations, Local Authorities and private sector clients. The first LCP project for 2002 is the Cardiff Women's Workshop Project.

## **Rethinking Construction National Network**

12. The Director of the DTI Construction Division wrote to the Assembly in August 2001 proposing a network of regional Rethinking Construction Centres in Wales, Scotland and Northern Ireland as well as the nine English Regions and proposing they should develop their own initiatives to continue the work of the Rethinking Construction campaign after 2003-04. The DTI invited delegates from the regions to take these ideas forward at two meetings, at Manchester in December 2001 and at Cardiff in March 2002. Delegates supported a national network of regional Rethinking Construction Centres as the most effective way of promoting the business case for Rethinking Construction and its importance to regional regeneration and economic development.

## **Local Authorities and Public Sector Clients**

13. In October 2001 a series of twelve UK national conferences 'Rethinking the Construction Client: The National Debate 2001' was organised by Rethinking Construction to encourage adoption of best practice construction procurement methods by the public sector. They were aimed at senior managers of public sector clients including ASPBs, Local Authorities, Housing Associations, Education and Health Authorities and NHS Trusts.

## **Background**

### **WELSH ASSEMBLY GOVERNMENT**

#### **Welsh Procurement Initiative**

14. Following approval of Welsh Procurement Review- 'Better Value Wales', the Welsh Procurement Initiative has been established to implement the Review recommendations and achieve better value for money from procurement in the Welsh public sector. The Review found that the Welsh public sector must go further to implement 'Rethinking Construction' and that much work needs to be done to introduce best practice thinking in construction to the recommended the adoption of 'Rethinking Construction'. It recommended a concordat between the Assembly and the Office of Government Commerce (OGC) to ensure that opportunities for sharing government procurement information are maximised.

#### **Office of Government Commerce (OGC) Concordat**

15. The Assembly has agreed through a 'concordat' to work towards meeting the OGC guidance, which includes an action plan called 'Achieving Sustainability in Construction Procurement', launched by UK Ministers in June 2000. All Departments, Agencies, NDPB's (and, through the concordat, the Assembly) are asked to adopt this action plan by March 2003, which should be applied to all Refurbishment, Maintenance and New Works Projects. The concordat allows the Assembly to set its own targets but it has not done this yet for construction and work is required in this in order to meet the March 2003 date.

The OGC also produces extensive construction procurement guidance and Value for Money VFM guidance for use with complex procurements'

## **Local Authorities**

16. The 'Compact between the National Assembly for Wales and the Welsh Local Government Association on Sustainable Development': Annex 1- Joint Action Plan 'Project': confirms that they will collaborate to produce best practice guidance for sustainable procurement in the public sector. There is a need for more dissemination of information and guidance to Local Authorities, combined with training for staff involved in construction procurement.

## **Audit Committee**

17. The Audit Committee has identified a need for central procurement guidance to be produced for Assembly construction projects and looks to the Assembly Construction Forum to provide a more active role in producing best practice guidance.

## **Sustainable Development and Construction**

18. The Government "Greening Government" Annual Report says that Government departments have been required since 1990 to operate procurement policies that take into account the environmental impacts of their purchasing decisions while achieving value for money. This means looking beyond the initial price to take account of whole life costs, quality and other benefits as explained in the 'Green Guide for Buyers' published by the DEFRA Sustainable Development Unit in February 2001, which shows how to put this commitment into practice. The Assembly has not yet fully addressed these issues with regard to construction procurement guidance.

## **Consideration**

### **WELSH ASSEMBLY GOVERNMENT AND RETHINKING CONSTRUCTION**

#### **Progress in the Assembly and Welsh public sector**

19. In response to the Committee's views and in support of the Assembly's commitment to promoting Rethinking Construction within construction procurement, the Assembly has carried out the following actions since the last report to Committee:

#### **Social Housing**

Within the Social Housing Grant (SHG) development programme the Assembly has continued to encourage and support, wherever appropriate, the use of project partnering in construction procurement.

#### **RSL Best Practice Construction Procurement Working Group**

The Assembly Housing Directorate has with the Welsh Federation of Housing Associations convened a working group to assist in the production of best practice construction procurement guidance for RSLs. It will be presented as a 'Best Practice Guide' to construction procurement with a clear statement of the Assembly's objectives and expectations. A first draft is expected by August 2002.

#### **Social Housing Innovation Programme (SHIP)**

The Assembly has invited the first round of bids for grant under the Social Housing Innovation Programme. This is a two year programme for 2002-04 to encourage the demonstration of sustainability principles in RSL housing and promote best practice in the built product and construction process.

### **Best Practice Workshops**

Sponsored a programme of five Construction Productivity Network (CPN) best practice workshops throughout Wales during year 2001-02 and is planning a further programme of six workshops for this year subject to approval of funding. CPN operates as part of the Construction Best Practice Programme. The outcome is greater industry awareness of best practice in construction.

### **LGTF's "Rethinking Construction Toolkit"**

In September 2001 the Minister issued to all Chief Executives and Leaders of Local Authorities in Wales the LGTF "Rethinking Construction Toolkit". The Minister's covering letter advised how the Toolkit shows the benefits of Rethinking Construction can be achieved within a public sector framework and can deliver major advantages to Authorities.

### **Local Authority Contacts**

In January 2002 the Director of Housing wrote to all Chief Executives and asked each Local Authority to designate an officer as a formal contact for Rethinking Construction matters. There is a need for more dissemination of information and guidance to Local Authorities, combined with training for staff involved in construction procurement.

### **Rethinking the Construction Client: The National Debate 2001**

In October 2001 the Assembly supported the second conference of this series in Cardiff with the Deputy Minister making the keynote speech.

### **Assembly Construction Forum**

The Assembly Construction Forum was convened in November 2001 to take forward Rethinking Construction within Assembly funded construction as a forum for sharing best practice guidance and to assist Assembly Divisions and Assembly sponsored public bodies in forming improved construction procurement guidance. Members represent Assembly Divisions and public sector bodies with construction procurement responsibilities.

It will not assume the responsibilities of those Divisions or bodies for the management or procurement of their construction activities.

It will work within the framework of Assembly policies and make reference to best practice guidance issued by the Office of Government Commerce and Rethinking Construction, and take note of recommendations of the Auditor General for Wales, National Audit Office Wales and the Audit Committee.

### **Transport Directorate Contract Procurement Review**

A review of procurement methods for the Assembly Motorway and Trunk Roads programme has been carried out as part of the Assembly's Operational Plan to Deliver Better Government. A 'Procurement Strategy for the National Assembly for Wales Motorway and Trunk Road Programme' has been issued which

recommends using new forms of contracts and that projects must be monitored and evaluated as recommended by 'Rethinking Construction'.

### **Welsh Procurement Initiative**

The Welsh Procurement Initiative was launched in November 2001, following approval of the Procurement Review by the Minister. It sets an annual Value for Money efficiency saving target of 3% across Wales. It complements the work of the Office of Government Commerce (OGC) and is implemented through an Initiative Team and a Local Government Team. The Initiative is funding Pathfinder Projects to help implement the Review's recommendations and include a project for the adoption of the OGC Gateway Review Process and the North Wales Constructionline Group.

### **North Wales Constructionline Group**

A Pathfinder project is being funded by the Welsh Procurement Initiative as part of the Construction Supplier Development Programme. It encourages all public sector client organisations in North Wales (County areas of Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire and Wrexham) to join Constructionline (a Government sponsored UK pre-qualification system for construction suppliers) and will encourage suppliers to qualify by means of a local supplier development programme. It should benefit clients by savings in time and improved pre-qualification data, and suppliers which will have wider and fairer access to local and national business opportunities. If the project proves successful, it is intended that it should extend to the whole of Wales. The project duration is April 2002-March 2003 to achieve full operation of the scheme. Lead partners are the Assembly and Business Connect

### **NHS Estate in Wales- Procurement Guidance**

In recognising the need to promote Assembly construction and energy policy in the National Health sector, Health Estates Division has instructed Welsh Health Estates, who provide technical advice and guidance to the sector, to review current procurement guidance and technical standards with regard to Assembly policy and central government guidance. It is proposed to report on progress as part of reports provided to the Committee on 'Rethinking Construction'.

Welsh Health Estates act as advisors in these matters under the terms of a service level agreement with the Assembly. Under the terms of this agreement the WHE provides a range of services for the Assembly and NHS Trusts, including:

- the advancement of the environmental aspects of the National Assembly's Sustainable Development Policy
- advice on procurement processes and to facilitate NHS Trusts in the process of ensuring that proposed capital development plans are in line with the National Assembly for Wales requirements.

### **Rethinking Construction Centre for Wales**

20. Arising out of the National Network meetings, a Rethinking Construction Centre for Wales has been constituted as a non-profit limited company and launched in March 2002. Its purpose is in accordance with the Assembly's commitment to, and

the UK Government's policy for, regional promotion of Rethinking Construction. The Centre has made a formal request to the Assembly for a financial contribution towards its first year basic operating costs; support for a further two years will be necessary after which it expects to be self-supporting with increasing contributions from the private sector and other sources.

It is managed by a Board which consults with a widely representative and open steering group, the **Rethinking Construction Forum for Wales**, with members drawn from client, industry and government organisations formally committed to Rethinking Construction and working together. Subject to funding, the Board will appoint an executive staff to operate the Centre and implement its action plan. Task Groups will focus on targets for improvements broadly as set by the Egan Report:

- Client performance and procurement
- Innovation and Best Practice
- Education, skills and training
- Business support services
- Health and safety
- Industry measurement and monitoring
- Sustainable Construction

### **Wales Construction Best Practice Clubs**

21. Clubs have been formally constituted and are running in Cardiff and Swansea. The Best Practice Clubs (BPC) would link with other UK clubs through bi-annual conferences where BPC committee members can exchange knowledge of best practice, where members of the BPC committees meet to discuss problems, solutions, relevant issues.

### **Proposals for Future Action**

22. It is proposed that:

a) The Housing Directorate in consultation with the Welsh Local Government Association (WLGA) takes action to encourage Local Authorities in Wales to act upon the Minister's advice with regard to guidance produced by the Local Government Task Force.

b) The Assembly Construction Forum prepares proposals for its future role, function and resource implications with regard to:

-the need for central procurement guidance for Assembly construction projects identified by the Audit Committee.

-advice and guidance to public sector bodies.

### **Financial Implications**

23. There are potential costs related to some activities, particularly in connection with the Rethinking Construction Centre for Wales, the CPN best practice workshops and the dissemination of information and guidance to Local Authorities.

There are financial implications for the Assembly in Years 2003-04 and 2004-05 which will be considered within the Budget Planning Round and will be dealt with by



a separate submission. Work associated with this expenditure will be accommodated within existing and planned administration costs budgets.

### **Compliance**

24. There are no issues of regularity or propriety. In accordance with FN1/01 this submission does not require prior ACO clearance but is copied to the Assembly Compliance Office Mailbox for monitoring purposes.

### **Cross cutting themes**

25. Promoting and implementing the principles of 'Rethinking Construction' in construction procurement in Wales will contribute directly to achieving the objectives of the Assembly's policies for Better Wales, particularly those relating to Better Quality of Life, Economic Development and Sustainable Development.

26. The Assembly has adopted a Sustainable Development Scheme which requires that principles of sustainable development must apply to all of the Assembly's operations, requiring a change of culture and working practices. The construction industry has the potential to make a significant contribution to sustainable development and Rethinking Construction helps the construction industry to become more sustainable by addressing concerns about waste, pollution, quality and user satisfaction.

### **Action for subject committee**

27. To note the contents of the report, to support the recommendations and to require a further progress report.

**Contact point**

Housing Directorate, Construction & Domestic Energy Branch / Ian Layzell x 6914