

LOCAL GOVERNMENT AND HOUSING COMMITTEE

'IMPLEMENTATION ISSUES OF RETHINKING CONSTRUCTION'

Purpose

1. The purpose of the report is to:
 - a. give the Local Government and Housing Committee a report on 'Implementation Issues of Rethinking Construction' following discussion of the report to Committee on 10 July 2001.
 - b) seek the Committee's support for proposals for future action.

Recommendation

2. The Committee is recommended to:
 - a. endorse the proposals for future action at para. 13
 - b) request a report on progress made in March 2003

Timing

3. The report is presented to invite the Committee to support the proposals for the implementation of Rethinking Construction and best practice construction procurement across the Welsh public sector.

Background

LGH 12-02 Committee Meeting

4. At the LGH Committee meeting on 10 July 2002, the Minister updated the Committee on progress made in promoting Rethinking Construction in Wales.

The Minister said she would bring a paper "on the implementation of Rethinking Construction, drawing together the various strands across all the Welsh Assembly Government portfolios."

The Committee has previously endorsed the view that implementation of Rethinking Construction in public sector construction procurement will assist in achieving the Assembly's objective of improving the quality and cost effectiveness of its investment and assist in the delivery of 'best value', sustainable construction projects.

Rethinking Construction

5. The Egan Report 'Rethinking Construction' recommended a commitment to continuous improvement of the construction process with the whole supply chain involved. Since the publication of the report, the Rethinking Construction agenda has been taken forward through a dynamic partnership between government, clients and industry. Further information on current activities is given in Annex A.

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.

Best Practice Guidance

6. Best Practice Guidance is published by the Office of Government Commerce (OGC) for central government and by Rethinking Construction for public and private sectors of the construction industry; further information on current best practice guidance is given in Annex B.

Consideration

Current Position

7. The Assembly is committed to promoting Rethinking Construction and implementing best practice procurement in Assembly funded construction, in accordance with its overall policy objectives and obligations under its Concordat with the OGC.

8. Responsibility for issuing guidance related to Assembly funded construction projects remains with individual sponsor Divisions and individual public sector organisations. Progress

on implementing best practice guidance and Rethinking Construction is varied and further detailed information is given in Annex C.

9. Although there is comprehensive and abundant best practice guidance issued by the DTI sponsored Rethinking Construction team and HM Treasury's OGC, it is not formally issued by the Assembly. There is confusion at many levels of the public sector about the status of this guidance and its relevance to the Assembly's policies, requirements and expectations of its investment in public sector construction procurement.

10. There is no single responsibility within the Assembly Government for producing advice or direction to this effect. The Assembly Construction Forum is not constituted or resourced to provide such advice.

What needs to be done

11. The need for a Guide is prompted by recent construction industry developments and initiatives which have placed considerable emphasis on the role of the Client in achieving excellence in the procurement of products and services, and in ensuring that objectives are fully met and value for money secured. A considerable amount of strategic and procedural guidance has been published by organisations within the construction industry and also by Government. The volume of guidance available can be confusing, not only to those who are regularly involved in construction, but to those who infrequently act as Client for a major construction project.

There is a need for the Assembly to provide clearer and more co-ordinated direction to its sponsor Divisions, Local Authorities, ASPBs and other public sector organisations of its expectations for achieving best practice in the procurement of Assembly funded construction. This direction should draw together the guiding policy principles and best practice guidance from Government and industry sources.

12. In support of this direction from the Assembly, there may be a need for awareness raising activities combined with dissemination of information and guidance on current best practice to public sector organisations; this may form part of the current activities of the Welsh Procurement Initiative Team and the Local Government Procurement Initiative Team.

Proposals for Future Action

13. It is proposed that:

- a. The Assembly Government, through the Procurement Unit and assisted by the Assembly Construction Forum, will produce a Best Practice Construction Procurement Guide giving a general direction of the Assembly's expectations for its investment in Assembly Government funded construction projects. Individual sponsor Divisions and sponsored organisations will be responsible for developing and implementing their procurement of construction services.
- b. The Guide will be published as part of the Assembly Government's Procurement Manual and on the 'Winning Our Business' website at: www.winningourbusiness.gov.uk.

Financial Implications

14. There are no financial implications for current and planned budgets. The work associated with the proposals for future action at para.13 will be accommodated within existing and planned administration costs budgets.

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Compliance

15. 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

16. 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.

17. 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

18. To note the contents of the report and to support the recommendation.

Contact point

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ANNEX A

RETHINKING CONSTRUCTION- CURRENT ACTIVITIES

Strategic Forum for Construction

In recognition of the need to accelerate the process of change towards improvement, the Strategic Forum for Construction under the chairmanship of Sir John Egan and representing Government, construction clients, suppliers and the Strategic Forum of National Training Organisations has published its report 'Accelerating Change'. This report builds on and reaffirms the principles set out in 'Rethinking Construction'. The Forum sought to tackle barriers to progress and identify ways to accelerate the rate of change.

The Strategic Forum identifies three main drivers to accelerate change and secure a culture of continuous improvement:

- The need for client leadership
- The need for integrated teams and supply chains
- The need to address 'people issues', especially health and safety.

'Rethinking the Construction Client'- the National Debate

Rethinking Construction has published "Rethinking the Construction Client - Guidelines for construction clients in the public sector and others who receive public funding for construction", following a series of UK national conferences including one in Cardiff. It is intended to encourage adoption of best practice construction procurement methods by Local Authorities and Public Sector Clients. The conclusions of the debate were resolved into six key guidelines for clients:

- 1 Traditional processes of selection should be radically changed because they do not lead to best value.
- 2 An integrated team which includes the client should be formed before design and maintained throughout delivery.
- 3 Contracts should lead to mutual benefit for all parties and be based on a target and whole life cost approach.
- 4 Suppliers should be selected by Best Value and not by lowest price: this can be achieved within EC and central government procurement guidelines.
- 5 Performance measurement should be used to underpin continuous improvement within a collaborative working process.
- 6 Culture and processes should be changed so that collaborative rather than confrontational working is achieved.

Rethinking Construction Centre for Wales

In response to the DTI's wish to see a network of regional Rethinking Construction Centres in Wales, Scotland, Northern Ireland and the nine English Regions, a Rethinking Construction Centre for Wales has been formally established to promote the business case for Rethinking Construction and its importance to regional regeneration and economic development.

ANNEX B

Best Practice Guidance

OGC Concordat

The Assembly has agreed through a 'concordat' to work towards meeting OGC procurement guidance, which includes an action plan called 'Achieving Sustainability in Construction Procurement'. All Departments, Agencies, NDPB's and 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 Assembly may set its own targets but has yet to do this for construction work.

‘Better Value Wales’- Welsh Procurement Initiative

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.

Housing Directorate

Following the recommendation of the report to Committee on 20 July 2002, Item 6, the Housing Directorate has taken action to encourage Local Authorities to act upon the LGTF Guidance issued to all Chief Executives by the Minister.

Audit Committee

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.

Reference to this is found in Audit Committee Report 01-01: The Cardiff Bay Barrage; Audit Committee Report: 02-01: ‘The Accommodation Arrangements for the National Assembly for Wales’, Recommendations; Public Accounts Committee- ‘Improving Construction Performance’

Cabinet Sub Committee on Sustainable Development

The report ‘Energy efficiency in Assembly Government funded construction projects- progress report’ to the Cabinet Sub Committee on Sustainable Development on 15 April 2002 stated that the issue of promoting Assembly Government policy through funding support can be considered in construction projects, as part of rethinking the procurement of construction in which sustainability (and energy efficiency) is an integral part.

ANNEX C

PROGRESS ON RETHINKING CONSTRUCTION IN WALES

Assembly Construction Forum

The Assembly Construction Forum was convened to assist sponsor Divisions and Assembly

sponsored public bodies in forming improved construction procurement guidance for Assembly funded construction. It is not currently constituted to assume the responsibilities of those Divisions or bodies for the management or procurement of their construction activities.

It works within the framework of Assembly policies and makes 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.

Welsh Procurement Initiative

The Welsh Procurement Initiative sets an annual Value for Money efficiency saving target of 3% across Wales. It complements the work of the OGC and is implemented through the Welsh Procurement Initiative Team and the Local Government Procurement Initiative Team. It funds 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.

Transport Directorate

The Transport Directorate's Procurement Strategy promotes Rethinking construction and aims to provide a framework for increasing the efficiency in delivering an improved motorway and trunk road network by targeting savings through best procurement practice. It applies to all areas of procurement carried out by the Transport Directorate in connection with major trunk road and major maintenance programmes.

In connection with the Welsh Assembly Government's direct role of providing leadership necessary in the delivery of strategic infrastructure and services throughout Wales, all Local Authorities are being encouraged to adopt the practices set out in the document.

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 with the Welsh Federation of Housing Associations is progressing towards producing 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.

Social Housing Innovation Programme (SHIP): The Social Housing Innovation Programme encourages the demonstration of sustainability principles in RSL housing and promotes best practice in the built product and construction process. Scheme proposals have been accepted for grant under the Social Housing Innovation Programme and will proceed during 2002-03 and 2003-04.

Local Authorities

LGTF "Rethinking Construction Toolkit": Following the Minister issuing to all Chief Executives and Leaders of Local Authorities in Wales the LGTF "Rethinking Construction Toolkit", the Housing Directorate is monitoring progress made by each Local Authority in adopting Rethinking Construction.

Local Authority Rethinking Construction 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.

NHS Estate in Wales- Procurement Guidance

In order to respond to the Cabinet sub-committee action points on energy efficiency and the wider approach to best practice in procurement the Health Estates Division has instructed its advisors, Welsh Health Estates (WHE), to review the Assembly's current strategic / policy requirements and Government best practice guidance as they apply to the Assembly's operations and NHS capital development in Wales.

Welsh Health Estates, who provide technical advice and guidance to the sector, are reviewing current procurement guidance and technical standards with regard to Assembly Government policy and central government guidance. This is being carried out as a review of the Capital Investment Manual and Estate Code within the development of a National Estates Strategy Framework.

Constructionline

A Pathfinder project funded by the Welsh Procurement Initiative has encouraged most public sector client organisations in North Wales (County areas of Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire and Wrexham) to work towards using Constructionline, the Government sponsored UK pre-qualification system for construction suppliers. The project duration is April 2002-March 2003 to achieve full operation of the scheme.

A South Wales Constructionline Group has also been established.

Wales Construction Best Practice Clubs have been 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.

Construction Industry

CITB has published the "Wales Construction Workforce Development Plan 2002", identifying that 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.

Rethinking Construction Centre for Wales

In response to the DTI's wish to see a network of regional Rethinking Construction Centres in Wales, Scotland, Northern Ireland and the nine English Regions, a Rethinking Construction Centre for Wales has been formally established to promote the business case for Rethinking Construction and its importance to regional regeneration and economic development.

It is managed by a Board which consults with a widely representative steering group, the Rethinking Construction Forum for Wales, with members drawn from client, industry and government organisations formally committed to Rethinking Construction.

The Centre has made a formal request to the Assembly for 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. 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

The Centre organised a national launch conference on 2 October "The Business Case for Rethinking Construction" in Cardiff.

