

Procurement on a sound footing

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If UK construction is to sustain itself, it must adopt more effective means of tendering and procurement

Mark Farmer's 2016 review of the UK construction labour model was given the incredibly apt title [Modernise or die](#) . This root-and-branch review of the industry challenges all involved in construction to ensure a sustainable future.

The construction industry is at a major juncture, where old processes and practices are becoming more and more unsuitable for the modern world. Ridiculously low profit margins, a race towards cheaper and cheaper tenders, adversarial contracts and a disparate industry are together finally taking a toll. We must act now. The industry will not disappear, but to make it sustainable we must change it both internally and externally.

One key area is procurement: basic problems always arise with this, yet have never been addressed. Poor procurement processes and a desperate lack of understanding as to what value means still cause the sustainability of our industry to be questioned. The race to the bottom is inexorable and dangerous. This runs through the whole industry, from clients to consultants to contractors to manufacturers. The industry is following a blueprint that seems to have pervaded all sectors: equating a fair price with the cheapest, which is certainly not always the case. We must develop a standard, intelligent procurement system. Clients must look at what they actually want, and the industry must be truthful about what it can actually provide.

One of the main issues in procurement is the overcomplicated tender process and repetitive documentation we have to complete. For decades we have used various tender processes: single-stage, two-stage, design and build, traditional or competitive. Each has its place but each also has its issues. The money and time expended by the industry on tender processes is not proportional to the work undertaken.

For instance, we are often required to complete large tender questionnaires when having a Constructionline membership with all of our details is meant to be enough to confirm we are achieving acceptable standards. Why? Questionnaires often differ just enough so that standard replies cannot be used, and ask for in-depth responses that cover the quality assurance and construction processes to be used. Invariably, these responses are never reviewed, and the price is the only element that is considered. It's not hard to see why the usual tender processes are vilified.

Other issues include the following:

- **value engineering:** the build costs are more than envisaged and savings have to be made;
- **payment terms:** while the Construction Supply Chain Payment Charter looks to ensure that payments are made within 30 days, consultants, manufacturers and contractors often have to deal with 90-day periods from invoice to payment;
- **unattainable frameworks:** frameworks for construction services provision can

- make unreasonable and disproportionate demands on local, small or medium-sized enterprises, with which only large businesses can comply; and
- **retention:** the monies held by clients at the end of a contract to cover the defects period are often retained for excessive periods.

The government's [Construction 2025 industrial strategy](#) and the associated [Sector Deal](#) have highlighted the ambition to embed a more strategic approach to procurement. The Construction Leadership Council's report [Procuring for Value](#), produced in direct response to this, has begun a process that should, during 2019, see all parties in the industry sign up to a definition of value that accounts for more than just basic capital cost. This means considering quality, whole-life cost, supply chain, skills, employment, environmental sustainability and health and safety.

As an industry we must speak as one, understanding that we are all necessary and perform worthwhile duties that need a fair payment. A good starting point would be for us to all agree that reasonable profit is not a dirty concept? indeed, it is the backbone of most industries. An understanding that time and effort expended at the beginning of a project can help their subsequent completion and enhance whole-life value and user satisfaction is essential.

The Construction Industry Council North East is developing a construction strategy for the North East Local Enterprise Partnership. We believe that, in order to create a sustainable industry, we have to look at waste in the industry, whether that be time, resource, or physical construction waste, and procurement is a major factor in this. We believe in intelligent procurement, taking into account the wider regional picture. Our recommendations include the following.

- Local authorities should ensure that all local firms can tender for projects. This supports jobs and advancement in the local area.
- If you as a company know you have a body of work to be undertaken over a number of years, liaise with the industry so that it can service this. Surety of work is the basis for firms to develop staff and take on apprentices, ensuring further industry growth.
- Look for a fair price? tender to five contractors, remove the top- and bottom-priced submissions and take the one closest to the median of the remaining three. This would cut out those companies that simply quote cheaply and hope to increase their income on the project by other means. You can therefore quickly get to an actual fair price. The Northern Irish government is in the process of agreeing to trial this method for some government projects.
- Clients should ask to see that the price given incorporates profit and allowances for research and development. Ask for separate quality sections that cover ability and experience to undertake the work and use these to choose which submissions to assess financially. Commit to quality and work towards it.

As the UK leaves the EU and therefore may no longer have to adhere to [Official Journal of the European Union](#) (OJEU) rules, we may have more freedom to try some of these options, although obviously some of the rules built into UK legislation may have to change. Brexit and its effects on our industry still represent a huge unknown, but the potential to ease procurement rules may be one of the few positive aspects of the process. The government is putting plans in place in the event of a no-deal Brexit, and it has confirmed that the UK will set up its own electronic tender notification platform to replace the OJEU Tenders Electronic Daily platform.

How we take our industry forward rests in our hands. Fair and honest procurement processes can help us progress and ensure that the necessary modernisation is achieved and skilled individuals are attracted to our industry, in turn ensuring the sustainability of the UK construction sector. Modernise and thrive.

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Further information

- Related competencies include: [Procurement and tendering](#)
- This feature is taken from the [RICS Construction Journal](#) (February/March 2019)
- Related categories include: [Procurement](#)