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Thought Piece by Roger Burton.

The public sector's ambition to modernise and improve its estate will not only require the disposal of surplus assets but the rationalisation of the £3bn property portfolio. Reducing costs and increasing efficiencies will inevitably involve the construction industry in re-providing or modernising the residual estate. Public sector clients therefore need to be confident of the ability of the construction industry to deliver their product effectively and reliably to meet cost and time requirements.

The construction industry forms a significant element of our economy. With an annual output around £100bn it is almost 7% of the economy, providing 3 million jobs but it suffers from a complex and extended structure involving the management of thousands of smaller enterprises operating in a competitive environment. The selection process continues to favour the lowest cost offer as opposed to best value and the industry operates at low profit margins which does not help in improving quality, delivery and ultimate performance and has significantly restrained investment over decades. This has had the effect of limiting productivity growth – the industry has virtually flatlined in this respect since the watershed Egan report, *Rethinking Construction*, published twenty years ago. He found then that the 'the industry as a whole is underachieving, with too little capital investment, research, development and training' resulting in 'low client satisfaction'. Little has changed.

The industry cannot be complacent. Low productivity, low skills, low margins and the resultant low profitability are a recipe for ultimate failure. Recent research shows that while accounting for 7% of economic output, construction also suffers 16.5% of insolvencies with the inevitable difficulties this causes for the industry's clients. So how can we secure change in the industry to deliver better performance and resilience? The recent Farmer Review exhorts the industry to Modernise or Die. It needs to improve relationships and increase levels of investment in research and development and change commissioning trends from traditional to collaborative approaches embracing innovation and pre-manufactured approaches – shifting towards construction processes where more elements can be fabricated in a factory environment for on-site assembly.

Clients of the industry and particularly those in the public sector have an important role to play. Their ability to influence construction processes has already been realised in the rapid transition to the use of digital technologies in design and delivery to BIM Level 2. The Digital Review suggest that the industry can be transformed by ensuring digitalisation at scale to realise productivity increase, the creation of highly skilled jobs and increased UK export opportunities. Enabling successful digitalisation and greater pre-manufacture will demand a culture change in the industry and its clients. Increased collaboration, early contractor and sub-contractor involvement in solution development facilitated by appropriate procurement arrangements, replacing lowest price tendering with long term relationships, with greater co-ordination of design and assembly will be key to delivering a leaner, more productive approach to delivery. This will result in less waste, less duplication and greater efficiency generating better value for money, profitability and a sustainable and resilient industry, all to the benefit of the industry's clients. They should demand no less.

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