ROUNDTABLE

SUPPLY CHAIN - OPTIMISTIC AND COLLABORATIVE

JANUARY 2020

RLB Rider Levett Bucknall

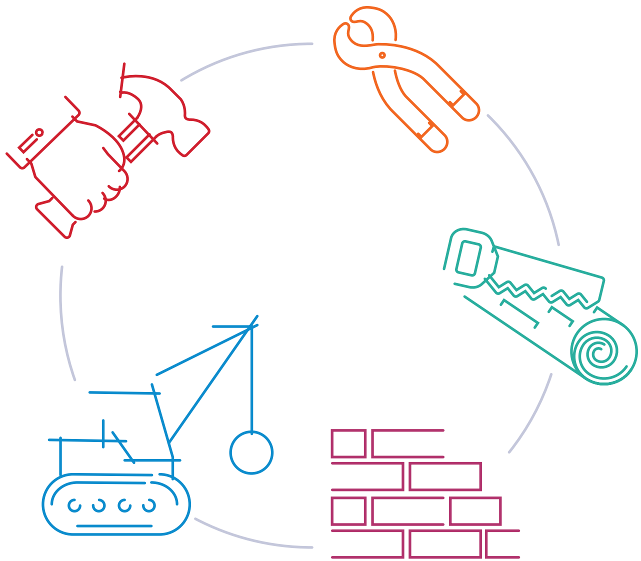
CONTENTS

METHODOLOGY

This Supply Chain whitepaper represents the findings of a roundtable debate between six subcontractors and Rider Levett Bucknall (RLB UK) in January 2020. The whitepaper covers a number of key construction subjects and aims to gauge the current temperature in the supply chain.

We also discussed the sentiment on key macro issues such as technology and innovation, sector image and recruitment, fair working and payment terms from previous years as well as asking topical questions around whether they are Brexit ready and the impact, if any, of the Government's 2050 Carbon Neutral target.

The roundtable was chaired by RLB's Global Board Director and the Construction Leadership Council's lead for the Supply Chain and Business Models workstream, Ann Bentley.



OUR HOSTS

ANN BENTLEY

GLOBAL BOARD DIRECTOR

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Ann is a Global Board Director and sits on the UK Board as a non-Executive.

Ann has a number of roles supporting cross industry initiatives, she is a member of the UK Government's Construction Leadership Council (CLC), and authored the CLC's report "Procuring for Value".

Ann sat on the Ministry of Housing, Communities and Local Government's Independent Expert Advisory Panel on building safety following the Grenfell Tower fire. Ann is a member of the CBI's Construction Council and an advisor to the Construction Industry Council.

She is a Chartered Member of the Institution for Civil Engineers (MICE) and Fellow of the Royal Institution of Chartered Surveyors (FRICS).

PAUL LONERGAN

PARTNER, COMMERCIAL SECTOR

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Paul is a Chartered professional with over 20 years of experience in project management and cost management on major projects, within the public and private sectors.

He has specialist experience working within the fast-paced commercial sector across a broad range of construction projects.

Paul has extensive knowledge of a wide variety of different procurement strategies and technical solutions required to empower his clients to make informed and strategic decisions based upon clear recommendations.

Paul is a Chartered Member of the Royal Institute of Chartered Surveyors (MRICS).

OUR ATTENDEES

STUART TALBOT
MICHAEL J LONSDALE
MEP

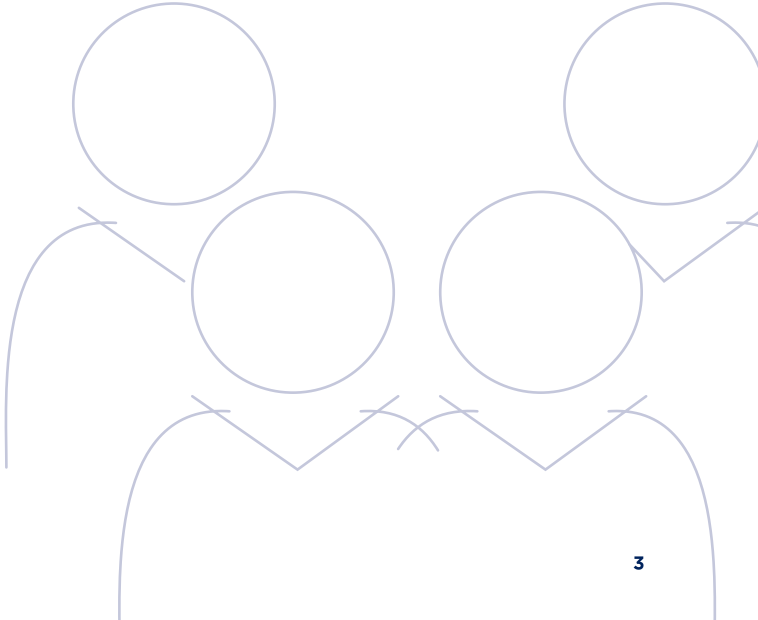
BILL UNWIN
SALTER DEMOLITION
DEMOLITION

LIAM WHYTE
RADII PARTITIONING
FIT-OUT

ABI EDWARDS
TMJ INTERIORS
FIT- OUT

STEVE TAYLOR
THE CABLING GROUP
STRUCTURED CABLING PROVIDER

TOM MCGUIRE
GRANGEWOOD
BRICKWORK



INTRODUCTION

A project is only as good as those involved in it – from first concept in design to the occupancy of a build, collaboration throughout the supply chain is fundamental to a project's success.

That is why, at RLB, we believe that staying close to those involved in the supply chain helps us to understand its complexities and the changes that are taking place.

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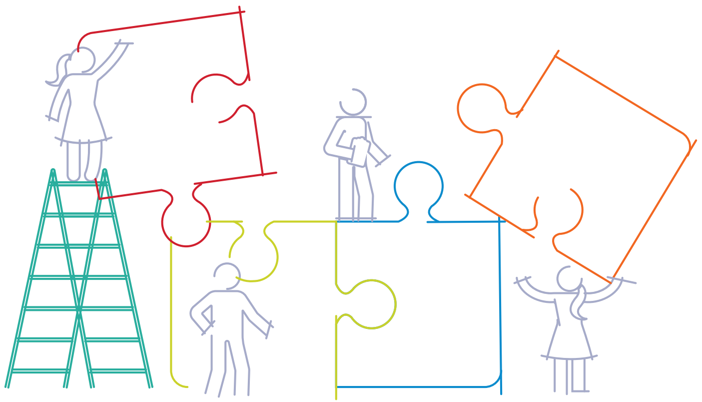


OUR FINDINGS

HOW OPTIMISTIC ARE YOU ABOUT THE YEAR AHEAD?

This year's discussion took place in early January 2020 – with a new year and new decade ahead, where some political and economic uncertainty has been resolved. We asked our participants on a scale of 1-10 how optimistic they were about the next 12-18 months. The results were resounding and extremely positive with massive optimism in the marketplace from all of those at RLB's Supply Chain Roundtable, rating between 7-9 out of 10 on an optimistic outlook. Many at the beginning of the supply chain – such as in the demolition sector are already seeing a bounce up as a direct result of the political situation being resolved.

As the market heats up, those around the table report an increase in enquiries and tenders but also a surge in the number of companies invited to tender, with many saying that they are often competing with up to 12 other companies for each project. With this uplift comes a shift to tenders being broken down by packages - for example, pipework being procured separately - meaning that there are many more participants in the process and smaller, independent suppliers tendering.

It was felt that there needs to be a better understanding in the market of how to procure for value. Investment in talent, training of this talent and gaining accreditation is reflected in higher overhead costs, but better value for contractors. Some round the table reported there is still a tendency towards lowest cost over value, with the result of smaller companies overpromising and ultimately failing to deliver. This would then result in larger suppliers being called in to save on-going projects.

7-9

out of 10
on optimistic outlook

OUR FINDINGS
(CONTINUED)

ARE UNFAIR PAYMENT TERMS A THING OF THE PAST?

There was a general consensus that in the aftermath of Carillion, Grenfell and other seismic events in the last decade, things have improved in terms of working fairly and collaboratively. All those around the Supply Chain roundtable reported there is no longer a significant issue with fair payment. It should be noted that all our participants stated that they have prioritised work with those who pay on time and work fairly.

Many pointed out that valuations are now often being undertaken digitally and payment approvals prepared electronically. Although this improvement doesn't change the payment terms, it certainly makes the process more efficient.

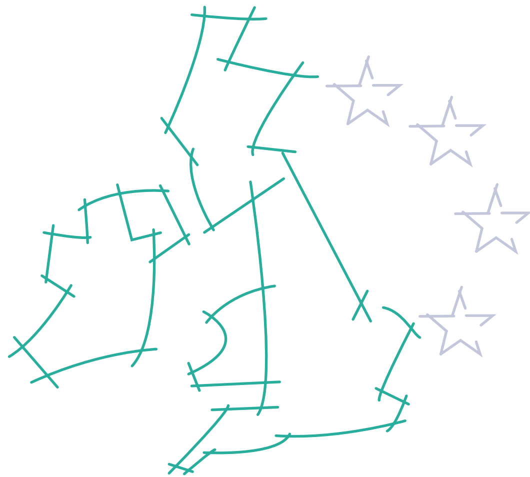
BREXIT: A DONE DEAL OR ON-GOING BUSINESS IMPLICATIONS?

With Brexit being on the negotiation table with politicians for so long, those represented at the Supply Chain roundtable felt that their organisations had been ready for it for quite a while, with Brexit measures and processes having been planned and put in place.

Although there were still concerns around the supply of labour and the opinion that the industry cannot survive with local UK labour only, this wasn't seen now as specifically Brexit related. Although there was no doubt that the UK leaving the European Union will impact the supply of skilled tradespeople, it was recognised that the exodus of labour had already commenced in the immediate period following the referendum with many of the EU workers returning home, having made their money within the UK. The forces of supply and demand had naturally evolved however, with organisations now seeing an influx of nationals from other countries supplementing the labour force, particularly from Asia.

Those present at the roundtable discussed the Home Office proposed introduction of short term and points-based visas. The general feeling was a need for absolute clarity from policymakers, so that both employers and migrant workers can make properly considered decisions.

For those who currently work in the EU an interesting point was made about the movement of materials post-Brexit. Currently many of them use the UK as an import and distribution hub, with materials passing back and forth between the UK and EU countries several times as part of the distribution process. There were concerns that this process will become cumbersome and expensive in the future.

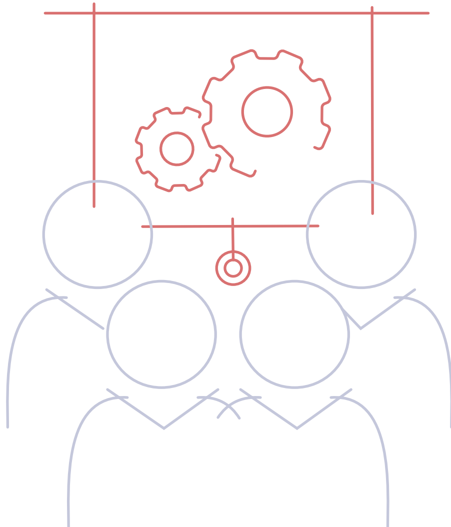


OUR FINDINGS
(CONTINUED)

LABOUR AND TRAINING: IS THE INDUSTRY ANY MORE ATTRACTIVE?

All agreed that the construction industry still has a long way to go in encouraging talent into the sector. Although the introduction of the apprenticeship levy means companies are actively recruiting apprentices, many felt that young people were being pushed towards construction purely to "tick boxes" rather than a genuine interest from school or college leavers to have a career within the construction industry. It was also felt that there is a disconnect between the number of Further Education (FE) colleges with construction related courses to the number of apprentices that construction companies need to train. Everyone agreed that the image of construction would improve amongst the younger generations if it was introduced at school so students could understand the different trades, professions and options. In the few schools where construction is offered as a GCSE option there is a much greater level of serious interest in careers in the industry.

It was also commented on that as well as the perception that the industry is not an attractive place to work, schools and FE colleges are not pushing the construction industry as a viable career option and the onus to recruit and train is very much on the shoulders of those in the supply chain with many running their own apprenticeship academies.

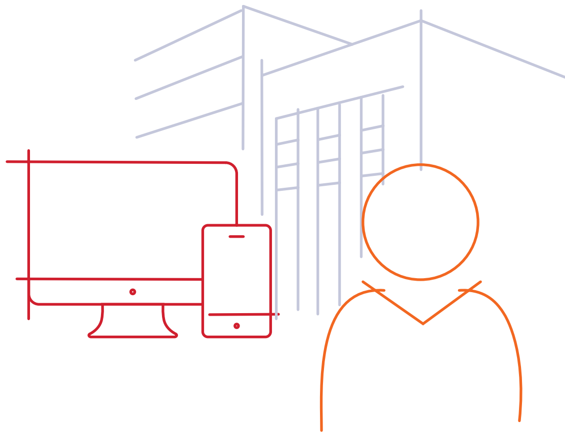


IS TECHNOLOGY CHANGING THE WAY YOU WORK?

There was no doubt from everyone present at the roundtable that technology is massively changing the way we work in construction, from automated manufacturing with machine-to-machine to offsite production. Many of those present talked about the advancement of building modelling with digital design and BIM bringing massive improvements and efficiencies to the design and build of projects.

However, it was also mentioned that technology has brought its own challenges as well as opportunities: technology is only as good as the person operating it and there is a need to ensure as an industry, we don't deskill our workforce by replacing people with machines to the point where those operating the machines don't understand the process. Connectivity between the offsite and onsite has also significantly improved with technology enabling those working on projects to be able to see updated schemes at the swipe of a screen or the press of a button.

There was also the feeling that where technology enabled a greater sharing of information (updates of plans, for example), parameters need to be drawn around areas of responsibility on projects, as many of the sub-contractors talked about receiving updates of entire schemes daily. This results in intensive checks to understand whether the element they were providing had changed.



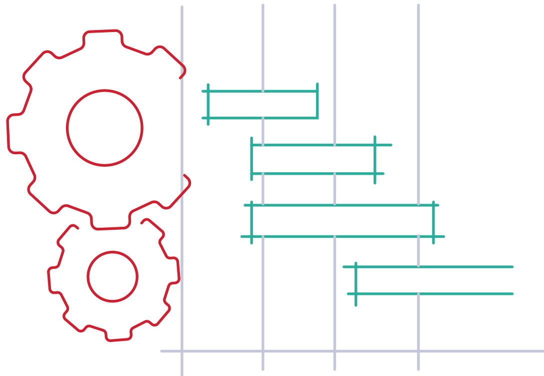
OUR FINDINGS
(CONTINUED)

OFFSITE AND MODERN METHODS OF CONSTRUCTION (MMC)

With the Government's announcement of five of its major departments are to have the presumption that they will build offsite, the question was raised whether MMCs were being adopted and integrated into their area of the supply chain. The majority of those present at the roundtable reported a resounding 'yes', with different ways of working being driven by a need for reduced duration programmes, a desire for efficiencies, reduction of waste and increase of speed in projects.

Offsite and prefabricated construction also changes the way that progress is measured and valued.

Some specialist companies, such as brickwork, commented that there are still areas of their work that are too complicated for offsite construction and that it is important that the industry retains traditional manual skills so that the industry doesn't lose the ability to undertake these specialist jobs in the future.

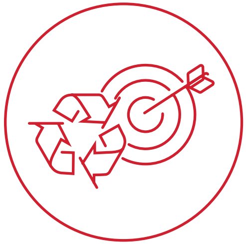


IS CLIMATE CHANGE IMPACTING YOUR BUSINESS?

With the Government's target to have a carbon net zero construction industry by 2050, we asked whether this ambition is seen as an opportunity or a threat. It was felt that this has triggered a more proactive sustainable approach to most projects, with SKA, BREEAM and LEED being an integral consideration for clients, and our supply chain roundtable attendees saw this as a natural progression.

The climate crisis is affecting all of those we talked to at our roundtable with many having already taken significant measures to lessen the impact of their carbon footprint. Examples of changes in the way the supply chain is working to do this include changes in fleets to electric or part electric vehicles, paper taping on their packaging rather than plastic and biomass burners being used for waste.

It was agreed that the increase in sustainable working practices will soon be integral to the way we work in construction with many measures becoming second nature in years to come as it has to health and safety over the last few decades.



Government's target to have a carbon net zero industry by

2050

CONCLUSIONS

The consensus across the board was that we are witnessing a far less siloed approach to industry issues with elements of the supply chain working far more collaboratively than in the past and planning and working together being recognised as the optimum way to work.

This change, far from being dictated by main contractors, has been a result of organisations within the supply chain realising that working collectively brings more efficiencies to the overall process and brings benefits not only to the industry, but for their individual organisations.

1. An increase in enquiries and tenders as the market heats up but also a surge in the number of companies involved in the procurement process.
2. There needs to be a better understanding in the market of how to procure for value.
3. The industry is working more fairly and collaboratively and working procedures and payment terms are not significant issues.
4. Most companies are now ready with plans in place for Brexit and although the shortage of labour is still a concern for the industry, the forces of supply and demand have naturally evolved.
5. The industry still has an image problem with construction not being seen as an attractive career choice in schools and FE colleges.
6. The advance of technology in construction has brought its own challenges as well as opportunities with technology being only as good as the employees operating it and a risk of losing vital skills through automation within projects.
7. Modern methods of construction and offsite manufacturing are now par for the course for many in the supply chain driven by a desire for efficiencies, reduction of waste and increase of speed in projects.
8. With the Government's target to have a carbon net zero construction industry by 2050, it was felt that this has triggered a more proactive sustainable approach to most projects, with SKA, BREEAM and LEED being an integral consideration for clients.

ABOUT RLB

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100%
independently owned and managed

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123
Offices worldwide

740
UK Staff

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