

# CONSTRUCTION LEADERSHIP COUNCIL

Thursday 30 June 2016, 14:00 – 16:30  
Conference Centre  
1 Victoria Street  
London SW1H 0ET

## MINUTES – CLC/N04/2016/M04

### Attendees:

- Andrew Wolstenholme, (Crossrail) – co-chair
- Ann Bentley, (Rider Levett Bucknall)
- Mike Chaldecott, (Saint Gobain)
- Isabel Dedring, (ARUP)
- Tony Meggs, (Infrastructure and Projects Authority)
- Brian Morrisroe, (AJ Morrisroe & Sons)
- Mike Putnam, (Skanska UK)
- Leo Quinn, (Balfour Beatty)
- Simon Rawlinson, (Arcadis)
- Robin Webb, (Department for Business, Innovation and Skills)

### Present by invitation:

- Mark Farmer, (Cast Consultancy)
- James Gray, (Crossrail)
- Niall Mackenzie, (Department for Business, Innovation and Skills)
- John Pelton, (CH2M)
- Simon Rowley, (Department for Business, Innovation and Skills)
- Aiden Wilkie, (DCLG)

### Apologies:

- Nick Boles MP, (Minister of State for Skills, Department for Business, Innovation and Skills) – co-chair
- David Cash, (BDP)
- Brandon Lewis, (Minister of State for Housing and Planning, DCLG)
- Stephen Stone, (Crest Nicholson)

### Secretariat:

- Tony Mulcahy, Peter Payne (Department for Business, Innovation and Skills).

## 1. Welcome and Introductions

1.1 Andrew Wolstenholme welcomed everyone to the meeting and thanked members for the huge amount of hard work and effort in putting the papers together.

1.2 . It was unfortunate that circumstances prevented Ministers from attending.

## 2. Brexit Business Meeting Update

2.1 Ann Bentley had attended this meeting on behalf of the CLC. Its purpose was for the Government to get feedback from business on the implications and opportunities of Brexit for industry.

2.2 Ministers asked for feedback in three areas:

- What was the immediate impact of Brexit?
- What should the UK be looking for in its future relationship with the EU?
- What opportunities did Brexit create?

Points raised at the meeting included:

- The process of negotiating Brexit required clear leadership;
- A clear timetable was needed to remove uncertainty;
- There was an immediate need to stabilise investor and consumer confidence;
- Government needed to calm the nerves of non-EU countries to ensure the inward investment was still forthcoming;
- There were concerns about the abuse of EU workers causing them to leave the UK,;
- Early commitment to key infrastructure investments, especially in rail and nuclear, was essential;
- A skills shortage across all sectors was probable and there would be a need for Government/industry do to increase the UK's skills;
- The implications for trade and free movement of skilled labour;;
- The implications for research and development and its funding.

2.4 CLC members expressed the following views on Brexit:

- Ensure infrastructure spend was not delayed or disrupted and if at all possible accelerate it. Government could offer to cover any EIB loans;
- The need to eliminate quickly the political risk/hiatus that overseas institutional investors see in long term infrastructure projects;
- The need for quick decisions and clarity around current EU workers and their UK residency status;
- Reassurance needed for current workers;
- Short term exchange rate issues:
  - Imported raw materials are up 10%;
  - Targets set by foreign owners have also gone up due to the exchange rate fluctuation;
  - CAPEX costs have gone up as major costs are in Euros.
- On housing, Government should:
  - reconfirm the commitment to Help to Buy;
  - extend the Help to Buy scheme to 40% outside London;
  - review stamp duty;
  - remove the additional 3% stamp duty on second homes;
  - reintroduce grants into affordable housing;
- Impression with some who voted to leave was that it is difficult to get social housing so a quick and relatively easy and cheap way to stabilise

the housebuilding sector and also address concerns of those who voted to leave was to have a major social house building drive;

- Members had experience of young professional British nationals saying that they may leave to work overseas;
- There was already an impact on engineering and design recruitment and businesses were planning to lay-off staff given reduced confidence about the viability of future projects;

**ACTION – BIS to pull these thoughts together and develop a statement to be shared with Ministers.**

### **3. Strategy**

3.1 The strategy work is work in progress. It respects the outputs of Construction '2025' and will accommodate two year action plans with short term wins.

3.2 Work stream leads will present their "plans" to the November" Leaders Briefing".

3.3 Feedback was requested from the CLC on:

- Whether the workstreams set out in the strategy paper represented an effective summary of what they are setting out to deliver.
- Whether those outputs would be recognised as worthwhile

### **4. Farmer Review**

4.1 The executive summary and the recommendations from the Farmer Review had been circulated with the meeting papers.

The last six months has been used to gather the evidence base – both a literature review and formal and informal interviews and evidence sessions.

4.2 The report followed a medical process analogy – symptoms /causes /prognosis /treatment /observation. It identified ten critical symptoms:

- Low Productivity
- Low Predictability
- Structural Fragmentation
- Leadership Fragmentation
- Low Margins, Adversarial Pricing Models & Financial Fragility
- A Dysfunctional Training Funding & Delivery Model
- Workforce Size & Demographics
- Lack of Collaboration & Improvement Culture
- Lack of R&D & Investment in Innovation
- Poor Industry Image

4.3 Drivers for change will need to come from clients. Modernisation of the industry will only succeed if clients (public and private) demand it and are bought into the necessary investment and cultural and structural change.

4.4 Prior to publication further work was now needed to take account of the potential implications of Brexit for the labour model in the industry

## 5. Skills

5.1 A proposed primary objective for the CLC is to bring together the efforts of organisations like BuildUK and CBI around apprenticeships and the 5% club. Greater collaboration across the industry around the themes of common interest / buy-in / educate the public was essential to provide the sector with the optimum resource pool to recruit from. This then flowed through to how to get the best pass through rate and then how do you retain people in the industry. All aspects needed to be addressed in the strategy

## 6. Business Models

6.1 The work stream “mission” was to get greater asset owner and end user value from construction projects, shifting the emphasis from the construction process to an outcome focus - getting people thinking about what they are doing with their assets.

6.2 Three key areas of focus for the workstream had been identified:

- Understand asset owners’ behaviours;
- Work with academic institutions;
- Work with a cross section of industry groups to overcome conflicting vested interests.

6.3 The group planned to hold two cross industry consultation events. Specifically areas to be modelled at these events are:

- the flow of money through a project how it got there and how did it get added to or diluted;
- the construction process from several different perspectives – client/ main contractor/ sub-contractor/designer.

## 7. Innovation

7.1 The innovation group identified four questions:

- Where are we and where we can realistically get to;
- What are the outcomes for clients and for industry and how can innovation deliver that specifically;
- Can companies self-identify their innovation capability.
- How do you drive this into the industry and client side.

## 8. Smart Process

8.1 The initial focus was on pre-manufacture to increase new housing supply from 160,000 to 250,000 homes per year.

8.2 A roadmapping event with fifty industry contributors had been held which identified five key issues:

- Centres of excellence and collaboration;
- Demonstration projects and business case;
- Demand creation, investment and volume security;
- Risk averse culture;
- Definition of targets and measures of success.

8.2.1 A straw-man list has been drawn up for each issue and further help from among CLC members was welcomed.

## **9. The next CLC meeting date:**

9.1 Thursday 03 November 2016 14:00–16:00.

9.2 An interim less formal meeting is being held 6<sup>th</sup> September 17:30-19:30 at BEIS, main building.

CLC Secretariat  
July 2016