



ISSUES FOR CONSIDERATION BY THE ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE IN THE WELSH ASSEMBLY

SUBMISSION FROM SEC GROUP WALES/CYMRU

The Specialist Engineering Contractors' (SEC) Group Wales/Cymru

SEC Group Wales/Cymru represents the engineering sector which contributes the largest element (by value) to Welsh construction. The sector primarily comprises small businesses. The following trade associations are represented under the SEC Group Wales/Cymru umbrella:

Association of Plumbing and Heating Contractors (APHC)
British Constructional Steelwork Association (BCSA)
Building Engineering Services Association (BESA)
Electrical Contractors' Association (ECA)
Lift and Escalator Industry Association (LEIA)

Background

Surveys since the Brexit vote have indicated a sharp decline in construction activity across the UK. Given the prevailing economic uncertainties it is essential that during the lifetime of this Assembly both the Welsh Government and construction industry prioritise measures to help Welsh construction become leaner and fitter. These should be aimed at improving the industry's low levels of productivity which will, in turn, add greater value to clients (rather than cost) and enable the industry to invest in the skills and technologies that will foster growth and innovation. This doesn't necessarily mean that we introduce new initiatives. Much of what is required was dealt with in the *No Turning Back Report* published by Constructing Excellence Wales almost 6 years ago (and reviewed last year).

SEC Group Wales/Cymru Priorities for this Assembly

1. *Cashflow Security*

Lack of cashflow security is the overriding concern for the majority of small firms in Welsh construction. The *No Turning Back Report* made clear that payment issues in the industry had to be resolved as a precursor to collaborative delivery.



SPECIFIC ACTIONS FOR THE ASSEMBLY Cashflow Security

- Following its trialling of project bank accounts (PBAs) Welsh Government to be invited to mandate PBAs for all public sector projects over £2m (this has already been done in Northern Ireland and a similar measure is expected in Scotland). As well as improving cashflow security PBAs will encourage collaborative working.
- Introduction of a legislative measure that will ring-fence cash retentions through extending the concept of the statutory tenancy deposit scheme.
- Provision of greater cashflow transparency for public sector works through adoption of digital techniques that track progress on payments (along the lines of the *Amazon* model).

2. **Replacement of outdated and inefficient procurement and contracting practices with modern or smarter methods with the focus on collaborative delivery**

Traditional procurement and contracting tends to be adversarial with the focus on risk transfer along the supply chain. Project teams are appointed in a hierarchical and sequential process that undermines collaborative effort.



**SPECIFIC ACTIONS FOR THE ASSEMBLY
Smarter Procurement and Contracting**

- Invite Welsh Government to pilot Integrated Project Insurance (IPI) which is being tested in England. IPI promotes teamworking through requiring early appointments of team members to robustly manage risk. The IPI policy then underwrites the cost plan to provide cost certainty to clients.
- Welsh Government to be asked to insist that all public sector construction clients have project risk registers which have been “signed off” by the delivery team (i.e. the supply chain). The aim will be to achieve early supply chain engagement in the procurement process that will help to reduce non-value added cost.

3. **Development of a level playing field for competition that encourages reputable SMEs to invest in innovation**

Ease of entry to the industry, false self-employment and lack of regulatory enforcement undermines quality-driven SMEs and lowers standards.



**SPECIFIC ACTIONS FOR THE ASSEMBLY
Encouraging quality-driven SMEs to invest in innovation**

- Invite Welsh Government to set up joint working group to develop proposals for licensing firms to work in Welsh construction (based on *deemed to satisfy* arrangements).
- Invite Welsh Government to mandate the use of SQuID (the pre-qualification questionnaire) up and down the supply chain to cut out the duplication and waste arising from multifarious pre-qualification processes.
- Invite the Welsh Government to initiate an inquiry into the extent of enforcement of Building Regulations (and like regulations) by local authorities and other relevant enforcement agencies and to make recommendations, if required, that will help facilitate enforcement.

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