

Environment Analyst UK Business Summit 2021

Procuring for sustainable value

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Today's atmosphere of woke environmentalism is compelling a reversal of traditional construction practises to align with much needed - and in many cases, mandated - sustainable goals. The process of procurement in construction is no longer an absolute system, if it ever was.

The **Environment Analyst UK Business Summit 2021** panel on *Developing Flexible & Sustainable Procurement Frameworks* stressed the critical use of procurement as a strategic tool, and discussed the current and future means available to the market to achieve this goal.

Headline takeaways

- The construction sector is going through a realignment phase, targeting sustainable outcomes
- Procurement should be thought of as a strategic planning tool
- Early project stage engagement is vital
- More time and effort required in market intelligence gathering
- Industry is moving towards a longer-term trust-based collaboration model for procurement
- Revamped procurement methodologies could help drive investment in skills
- The Construction Playbook provides an extended statement of construction best practices

Recommendations for consulting and professional services firms:

- Need for environmental consultants to **carefully consider the risks** of innovative new approaches to projects, versus relative stability of proven approaches
- Opportunities exist to audition innovative new systems, in partnership with clients
- Tailor procurement strategies for each project
- Issues can often be resolved through pre-market or pre-procurement engagement
- Unique opportunity exists right now to **help define supply chain engagement and sustainability outcomes** for the future. EC firms are well positioned

The golden thread

Stuart Cairns, partner and co-head of international projects & procurement at **Bird & Bird**, described his ideal vision of the procurement process: "I often talk about the golden thread. The protected environment is the golden thread that should be woven throughout procurement, from the outset of your business case, to the award decision, right through to the successful delivery of the project."

Cairns continued, "there is no point in extracting amazing promises for fantastic solutions if they are not specifically detailed in the contract and feasibly deliverable."

The importance of early engagement

Early involvement: Panelists unanimously identified the need for environmental consultants to be present and involved at vital early project stages to help tailor bespoke procurement strategies for each client. Reviewing bidding documents halfway through the process, the panel agreed, is far too late.

Pivotal role of EC: A client's initial project goals can sometimes arise from a narrower than optimal understanding of both the problem to be solved and the complex methods involved in reaching sustainable goals. The professional judgement necessary to balance critical trade-offs requires a specific skill set exemplified by the environmental consultancy sector.

Risk & reward: In the early stages of procurement environmental consultants are able to weigh the relative risks of seeking innovative new systems versus the relative stability of proven technology. Auditioning new solutions requires use of weighted measurement metrics to rate environmental goals, rating lifecycle costs, and knowledge of projected regulatory changes and requirements.

No longer just a 'soft' benefit

The maturing of green procurement: Sustainability, net zero, and environmental goals have traditionally been regarded as soft benefits, and often those goals were an add-on at the final stages of a project. The embedding of sustainability within the procurement process needs to be mainstreamed to allow for engagement with each segment of the supply chain at the earliest stage.

This will encompass driving a change in behavior through engagement with the market (or multi stage tenders) to ensure that all levels of the supply chain have a clearly agreed upon understanding of the ultimate goals - perhaps even testing an approach before a formal launch to ascertain whether issues arise.

"We should be resolving a lot of these issues through pre-market or pre-procurement engagement with the market," said Fergus Harradence, deputy director, construction, **Department for Business, Energy and Industrial Strategy (BEIS)**. "We should not be using procurement processes to define what constitutes value in the context of a project. It's too late by then."

Innovate early for maximum reward: Mike Hunting, head of governance, risk and commercial at **Atkins**, agreed. "Give yourself enough time to develop a solution that you think will work, and then take it to the market, in advance of the horrible competitive process. This helps us to make clear, informed, objective decisions, to apply a score on a consistent and transparent basis. Then we can allow the market to confirm or deny that."

If those questions are not answered in advance of starting procurement exercises, the process can quickly end up locked back into the old fashioned trajectory of focusing on costs, because that appears to be the established metric that provides certainty or predictability.

Market intelligence is key: Harradence suggested that organisations, public or private sector, should invest “more time and effort than they typically do”, in market intelligence gathering, including:

- Developing a culture that encourages communications with other market participants
- Exploring new technologies
- Participating in trade shows and exhibitions
- Developing a clear, informed vision of successful outcomes
- Using that vision to inform a comprehensive analysis of the problem.

As budgets are prepared in the early stages, environmental consultants should guide proposal evaluations and the audition of the most appropriate bidders with a sustainable focus. Flexibility in this process may recognise and reward innovation by allowing leeway to consider proposals from a more diverse pool of bidders.

The process as it should be

Engagement at the initial stage permits environmental consultants to guide the client through:

- Defining the project - what it is they're looking to achieve?
- Anticipating risk before it becomes an issue
- Developing an effective procurement strategy
 - Generating suitable KPIs
 - Prioritising goals
 - Defining how goals are to be measured and assessed
 - Defining how performance will be evaluated
 - Negotiating with bidders
 - Drafting procurement documents

Long term approaches evolving: Mike Hunting explained that, “right now, long term views are required regarding what type of systems or approaches we are going to embed into the industry; what approaches clients want to embed into their supply chain; and how they want to experience the benefits of these improvements over years and decades, rather than just on individual projects that may have a duration in terms of weeks, months or years. This is a unique opportunity to help define how to work with the client and to define sustainability outcomes, as they pertain to procurement, for the future.”

Better, faster and greener

Fergus Harradence from **BEIS** highlighted the ways in which government procurement policies are likely to change over the next decade.

- Procurement policy will become more strategic, driving the modernisation of the construction industry, and beyond that the wider built environment.
- Emphasis will be shifted away from a pure focus on the built asset that is being purchased, towards how that built asset is going to be delivered.

Trust is key: Harradence anticipates a fundamentally different relationship within the industry, moving away from the transactional approach of the last few decades, to a longer term, trust based collaboration.

“We want to engage with the industry through contractual structures, whether they're frameworks, contracts, or whether it's a new method that allows for a stronger relationship to be built. We want to create an established supply chain model that contributes to a more effective delivery of government projects and programs.”

Procurement for societal gain: The opportunity here is to build public procurement into an established vessel to contribute towards the delivery of government-wide policy objectives [rather than a vehicle to simply construct something]. This includes net zero carbon, contributing to leveling up (increasing economic opportunity in other parts of the country), and supporting the development of the economy, providing opportunities for SMEs.

The next generation

The skills gap: The issue of the skills shortage within the sustainability sector was discussed in almost every other panel during Environment Analyst's UK Business Summit. Today's panel envisaged a revamped procurement methodology that could also help to drive investment into skills. Not only in project management and civil engineering, but increasingly towards occupations related to design, logistics management, and project management.

To continue to satisfy an ever growing demand, this industry needs to institute a transformation around broadening the skills base as well as a modernisation of some of the more traditional trades and occupations. The panelists advocated forward thinking procurement strategies that include and provide incentives for firms to reinvest in the next generation of environmental workers.

The Construction Playbook

Developed in 2020 and published in December, recommendations contained in the Construction Playbook apply to all projects and programs that are funded by the central government and their arm's length bodies.

The aim of the playbook is to provide an extended statement of construction best practices, from the initial decision of wanting to procure a particular asset, defining the set of assets as part of a program, through to the point at which those assets are delivered. This can be summarised as better, faster and greener delivery.

As Harradence said: “The playbook is about empowering clients to achieve the outcomes that they anticipate, to help frame expectations regarding their requirements, the steps to articulate those, and to proceed into procurement.”

It underscores that encouraging the market to compete on price alone (as has been the case) can create false economies, sub-standard outcomes and thus unhealthy markets and must be avoided.

The playbook details recommended processes including:

- Early market engagement and market sounding
- The use of specialist techniques (cost modeling for instance, to counter the tendency of the industry to deliberately underbid in order to win business)
- Contracting terms

- Delivery models
- Methods and tools for information sharing throughout the supply chain
- Ensuring a smooth handover

Culture shift: The introductory phase took place in January this year, and full implementation is estimated to take three years. “Personally”, said Harradence “I think that's quite an optimistic assessment. We're talking about a cultural challenge. Yes, it points to certain processes and mechanisms, but the reality is, none of these will work unless attitudes and behaviors in the culture of the industry change. Within three years. It's quite a short period of time to affect that level of cultural change across such a large number of different organisations and individuals within the industry.”