

1 July 2019

Briefing Note

CECA NW Member Briefing:

Political & Economic Report, June 2019

Introduction

The following document is to provide a briefing on the political and economic environment of the North West, and its impact upon CECA members. It covers:

1. CECA & Build UK Launch First Phase of New Pre-Qualification System
2. CECA publishes Procurement Briefing
3. National Infrastructure Survey & Spending Review to be delayed?
4. Tolhurst: Late Payments
5. CLC calls for clients to drive direct employment
6. Armitt: Government needs to get serious about infrastructure
7. DfT launches its 'biggest review into transport in a generation'
8. ICE report: Infrastructure project final costs average 80% above bid prices
9. CMA guidance on competition law for the construction industry
10. Stop. Make a Change 2019
11. CITB Business Plan reveals spending proposals for £614m of levy cash
12. CITB forecast: 168,500 new jobs to be created over next 5 years (15,250 in the NW)
13. Consultation on future of infrastructure finance
14. £2.6bn Environment Agency flood and coastal framework announced
15. Costain appointed as sole maintenance service provider by United Utilities
16. Escaping the jaws of death: ensuring enough water in 2050
17. £201 million road repair fund to resurface extra 1,000 miles
18. Lords call for HS2 rethink to secure northern upgrades
19. Network Rail appoints first regional MDs
20. Network Rail: five year £5.7bn investment in LNW
21. Network Rail £750 million signalling contract
22. Green light for £1 billion trans-Pennine transformation
23. New trans-Pennine roads study announced
24. Sellafeld awards 20-year contracts worth up to £7bn
25. Arcadis: Post Brexit skills shortages to push up tender prices by 4%
26. Turner & Townsend International Construction Market Survey 2019
27. Majority of SMEs expect 2019 recession

1. CECA & Build UK Launch First Phase of New Pre-Qualification System

The UK construction industry has taken a major step towards improved efficiency with the launch of the first phase of a new Pre-Qualification System.

CECA and Build UK have announced the launch of the first phase of the new system, which is designed to reduce inefficiencies that are costing the construction industry up to £1 billion a year.

The existing PQ system is complex and repetitive and a major barrier to improved productivity. The multitude of schemes currently in operation sees around 180,000 specialist contractors producing over two million pieces of paper every year for 5,000 contractors.

The new system will ultimately allow for greater consistency and efficiency in how companies become pre-qualified for work at the first stage.

The roll-out of this first phase of the new system includes:

- Publication of the Common Assessment Standard used to pre-qualify companies. Based on existing PQ questionnaires, including BSI's PAS 91, this covers 10 key areas and includes desktop and site-based assessment standards.
- Confirmation of the first recognised assessment bodies to certify companies against the Common Assessment Standard. These organisations are Achilles, CHAS, and Constructionline.

2. CECA publishes Procurement Briefing

CECA's Procurement Group, in conjunction with Burgess Salmon, has published a briefing on "Optimising the Procurement Process for Authorities & Utilities" which is free to download.

This follows on from CECA's Procurement Report, which identified eight specific industry procurement challenges, namely:

"information requirements disproportionate to bid value"

"lack of client engagement during the procurement process"

"too many bidders"

"poor tender documents"

"frameworks that deliver less than forecasted revenue and/or include secondary competition"

"poor management of the procurement process"

"quality of feedback post-tender"

"lack of checking and enforcement of undertaking made by contractors in tender documents."

To read the briefing click [here](#).

3. National Infrastructure Survey & Spending Review to be delayed?

It is looking increasingly likely that both the NIS and the Spending Review will be put back to 2020. Liz Truss, Chief Secretary to the Treasury, however, gave some encouragement on investment in nuclear. For more information, click [here](#).

4. Tolhurst: Late Payments

Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy, Kelly Tolhurst MP made the following announcement, in response to the "Creating a responsible payment culture" call for evidence. The Government are committed to supporting small and medium-sized enterprises to start well and grow, including through a network of 38 growth hubs throughout England that provide advice, guidance and support. As part of our industrial strategy, we have an action plan to unlock more than £20 billion of investment in innovative and high-potential businesses. Where we see practices that unfairly constrain SMEs' finance choices, we are prepared to act. For example, we recently removed a barrier that was preventing some SMEs from using invoice finance because of prohibitive contract terms imposed by their customers. The new measure is expected to provide a long-term boost to the UK economy worth almost £1 billion.

For more information, click [here](#).

5. CLC calls for clients to drive direct employment

The Construction Leadership Council has called on clients to put pressure on contractors to shift towards greater direct employment. The council is urging clients to sign up to a code of employment where those who contribute to a project are directly employed. It argues this would ensure that it is in the employer's best interest to train their staff and benefit from their improved productivity.

It is one of three key recommendations set out in a new report looking at how to deliver a construction pipeline of more than £600bn over the next decade.

For more information click [here](#)

6. Armitt: Government needs to get serious about infrastructure

National Infrastructure Commission chair Sir John Armitt has called for the UK to build a shared vision for infrastructure's role in the economy, to unite people, mend fractures in society and build a true sense of community for millions of people. Speaking to the All-Party Parliamentary Group on Infrastructure, Armitt said there was an urgent need for Britain to shape a new national and global identity based on optimism and confidence, with infrastructure at its heart.

"We need to set a clear direction for what sort of country we need to be. To make a realistic assessment of what we need to do to build a prosperous economy and inclusive society," he said.

Armitt said that major infrastructure projects could be a unifying force for the UK, but warned of the dangers of decisions being "swayed by the gusts and eddies of political uncertainty" in Westminster politics. "Short term considerations will always rear their head," he said. "Today taking priority over tomorrow and the urgent always shouting the loudest. We must ensure the rational, considered, researched view is heard," Armitt told MPs.

7. DfT launches its 'biggest review into transport in a generation'

In what is being described as the biggest review into transport in a generation, the *Future of mobility: urban strategy* wants to pave the way for transforming the way people and goods move around cities.

The review will explore regulations around new types of vehicles including e-scooters and e-cargo bike trailers, how sharing data can improve services by reducing congestion, and how journey planning and payment can be made simpler.

As part of plans to explore how transport in the UK can modernise, a competition will run parallel to the review with £90m up for grabs for cities to test innovative ideas on possible improvements.

This Future Mobility Zones Fund aims to support local leaders and industry to trial new mobility services, modes and models through the creation of up to four future mobility zones.

The regulatory review will have four new areas of focus:

- Micro-mobility vehicles and how to trial them
- Mobility as a service
- Transport data
- Modernising bus, taxis and private hire vehicles legislation

For more information click [here](#).

8. ICE report: Infrastructure project final costs average 80% above bid prices

Recommendations:

- Infrastructure owners should complete scope, design and exploration before work starts to avoid scope creep or retroactive changes, taking steps to include contractors in design at an early stage.
- The Government and infrastructure owners must move away from capital cost as the most important metric when assessing project benefits, and recognise the importance of whole-life economic, social and environmental value.
- All public infrastructure owners undertaking procurement must award contracts based on a cost estimate range, using a should-cost estimate as a reference point, with an amount of contingency allocated appropriate to the level of project maturity.

- Principles set out in the Government Outsourcing Playbook should be mandatory for infrastructure owners, this includes infrastructure owners undertaking should-cost modelling to help inform their expectations and knowledge of appropriate tender prices during the procurement process.

To the report, click [here](#).

9. CMA guidance on competition law for the construction industry

The Competition and Markets Authority has recently been investigating a number of cases of potential competition law breaches by firms in the construction sector. Most recently, their investigations resulted in the disqualification of two company directors of CPM group due to their involvement in a cartel. To raise the level of awareness within firms about competition law and the rules with which firms have to comply, the CMA has launched a package of materials to help business. This includes:

- [a quick guide on how to avoid disqualification](#)
- [a checklist on how to comply with competition law](#)
- The CMA's [#StopCartels](#) campaign page <https://stopcartels.campaign.gov.uk/> that houses:
 - an interactive quiz to test knowledge of the law and what is/ isn't permitted
 - case studies with lessons learnt and information
 - reporting form + info on immunity from fines under the CMA's leniency programme

10. Stop. Make a Change 2019

For 2019, *Stop. Make a Change* is aligning itself with the Infrastructure Client Group's Top Risks project. The project aims to address seven of the biggest health, safety and wellbeing risks in the sector. Over the next year the Top Risks project will seek ways to tackle risks associated with:

- People & Mobile plant
- Mental health
- Striking buried services
- Lifting operations
- Heavy goods vehicles operations
- Hand-arm vibration related disease
- Public safety

Stop. Make a Change 2019 events will take place from 9 to 13 September. Full details can be found [here](#), while companies interested in signing up for 2019 can contact enquiries@ceca.co.uk.

11. CITB Business Plan reveals spending proposals for £614m of levy cash

The Construction Industry Training Board is planning a new "big, bold" careers campaign in a bid to attract a new generation of workers into construction.

The move is part of the board's latest three-year plan which highlights how it will spend the £614m of levy income collected between 2019/20 to 2021/22.

The plan outlines the 'Big Six' skills challenges identified by CITB research. They include:

- making construction an attractive career to a broader range of recruits
- developing a 'site-ready' workforce
- getting more construction learners to join the industry
- growing the number and diversity of apprentices
- helping smaller firms invest in the training that can transform their business
- boosting the number of assessors for vocational qualifications

To read CITB's Business Plan, click [here](#).

12. CITB forecast: 168,500 new jobs to be created over next 5 years (15,250 in the NW)

A five-year forecast into the industry's skills needs published by the Construction Industry Training Board (CITB) has shortened expectations for growth with infrastructure predicted to grow by 1.9%, down from 3.1% in last year's forecast, which you can read [here](#).

And for details of the North West forecast, click [here](#).

13. Consultation on future of infrastructure finance

The UK government will use a variety of models to encourage private investment in public infrastructure in England once the UK leaves the EU, but will not seek a "like-for-like" replacement to the now-abolished Private Finance Initiative (PFI). The government published a wide-ranging consultation on the future of English infrastructure finance alongside the chancellor's Spring Statement. The consultation does not make any formal proposals for new initiatives or new models. However, it states that "off-balance sheet" mechanisms demonstrating the same characteristics as PFI and its replacement, PF2, will not be considered. The consultation also addresses the likely "gap" in support for infrastructure once the UK leaves the EU and ceases to be a member of the European Investment Bank (EIB).

To read the consultation, click [here](#).

14. £2.6bn Environment Agency flood and coastal framework announced

BAM Nuttall, Jackson Civil Engineering and VolkerStevin retain places as preferred contractors, joined by Kier Integrated Services for the first time. The Environment Agency expects to spend around £1.5bn through the framework over four years. The option to extend for a further four years takes the total projected spend to £2.3bn.

15. Costain appointed as sole maintenance service provider by United Utilities

Costain has been appointed as sole Maintenance Service Provider by United Utilities across its operations under a framework contract for an initial period of five years with an option to extend to ten years.

Under the contract Costain will provide overall management and delivery of United Utilities' larger-scale water and wastewater asset maintenance activities across the entirety of its network, including 96 water treatment and 575 wastewater treatment sites, which serves over six million people in the North West of England. This contract marks the first time United Utilities has outsourced its maintenance activity as it seeks to drive material efficiency and operational improvements in line with customer expectations and regulatory requirements.

16. Escaping the jaws of death: ensuring enough water in 2050

England is facing an "existential crisis" and will not have enough water to meet demand within 25 years unless severe action is taken now, the head of the Environment Agency has warned.

Factors like climate change and population growth mean the country is facing the real prospect in a few decades of reaching the "jaws of death", according to Sir James Bevan.

The man leading the agency says in the face of water scarcity, the country must tackle both sides of the equation: reduce demand and increase supply.

For more information, click [here](#).

17. £201 million road repair fund to resurface extra 1,000 miles

Councils in England will be given a share of more than £200 million for road maintenance and pothole repairs. Transport Secretary Chris Grayling has announced the allocation of an extra £50 million for councils for potholes and flood resilience as well as £151 million to reward examples of councils' best practice – funding that could resurface more than 1,000 miles of road. These funds come from the £6.6 billion the government is providing in the 6 years to 2021 to improve local roads. For more information, click [here](#).

18. Lords call for HS2 rethink to secure northern upgrades

The costs of HS2 appear to be out of control and could threaten plans for more essential upgrades to the rail network in the north, according to peers. A report from the House of Lords Economic Affairs Committee says it is not convinced the £56bn budget is realistic and that major changes should be considered to keep costs down. The report stokes up further doubts over HS2 with the Upper House committee urging the Government to consider a major rethink on the project.

This includes considering halting work on Euston station as the main terminus in the first phase, in favour of Old Oak Common in west London, which will connect to central London by Crossrail. The Lords call for investment in the rail network in the north of England to be prioritised and warn that the Department for Transport's appraisal of the HS2 project is fundamentally flawed.

For more information, click [here](#).

19. Network Rail appoints first regional MDs

Network Rail has appointed its first five regional managing directors ahead of a major restructure.

Changes for the operator include devolving responsibility for the company into five regions, containing 13 routes. Four of the five new MDs are already working at Network Rail, while the incoming head of the North West and Central region is Tim Shoveller, who joins from Stagecoach. New MDs:

- Alex Hynes, managing director, Scotland
- John Halsall, managing director, Southern
- Mark Langman, managing director, Wales and Western
- Rob McIntosh, managing director, Eastern
- Tim Shoveller, managing director, North West and Central

20. Network Rail: five year £5.7bn investment in LNW

In its funding package for the five years to 2024, government has given LNW, otherwise known as the "backbone of Britain", £5.7bn for its vital operations, maintenance and renewals activities supporting the region's business vision of "one team delivering brilliant service for customers and taxpayers."

Money within that funding pot will go towards railway renewals (replacing track, bridges, points, embankments and structures), major resignalling and track remodelling at Crewe on the West Coast main line and the delivery of HS2.

21. Network Rail £750 million signalling contract

Network Rail has announced five-year contracts worth an estimated £750m to deliver signalling and telecoms across the country in period CP6, between 2019-2024, with further contracts set to be awarded in June 2019 and January 2020.

The signalling and telecoms (S&T) frameworks, which are split into six geographical lots, have been awarded to VolkerRail Special Businesses Ltd (London North West), Atkins Ltd (Anglia, South East and Wessex), Linbrooke Services Ltd (London North East), Babcock Rail Ltd (Scotland), Colas Rail Ltd (Western) and Siemens Mobility Ltd (Wales).

The frameworks will deliver projects of varying value, including stand-alone level crossings, stand-alone major telecoms and related civils works.

22. Green light for £1 billion trans-Pennine transformation

Options for the transformation of a key northern route, improving connections between the east and west of England were unveiled by Transport Secretary Chris Grayling. The A66 is both a nationally important road, linking Penrith in Cumbria with Scotch Corner in North Yorkshire and a key regional route. Highways England is now developing plans to fully dual the remaining single carriageway sections of the A66, which total 18 miles of the 50 mile route and this is the first opportunity for members of the public to get involved. The consultation sets out ideas for each of the remaining sections of single carriageway. They include:

- Allowing through traffic from the M6 or the North East to bypass congested Kemplay Bank Roundabout
- Dualling the existing three-mile section between Penrith and Temple Sowerby including a new junction arrangement for Center Parcs at the western end and an optional short bypass to avoid High Barn at the eastern end
- A new bypass north or south of Kirkby Thore and north of Crackenthorpe – following the route of the old railway line or the old Roman road
- Providing an upgrade of the five-mile single carriageway between Appleby and Brough – freeing up the existing A66 for local access-only traffic as well as walkers, cyclists and horse riders
- Re-designing and improving the junction with the A67 at Bowes to allow full westbound and eastbound access and exit to and from a newly dualled 1.9-mile section of the single carriageway
- Dualling the existing road between Cross Lane and Rookley with options for a short bypass of St Mary's Church and Old Rectory at the eastern end of the 1.8 mile section
- Similarly, dualling the existing four mile section between Stephen Bank and Carkin Moor but with three different options, including short bypasses – for the eastern end

More information about the project, including consultation events and a sign-up link for regular email updates, is available on the A66 Northern Trans-Pennine scheme page [here](#).

23. New trans-Pennine roads study announced

Highways England is to lead a £300,000 study looking at major improvements to road links between the M65 in East Lancashire and parts of Yorkshire. The study – due to start in April – will consider what enhancements could be made to road connections between the end of the M65 at Colne and communities like Skipton in North Yorkshire and Keighley and Bradford in West Yorkshire. For more information, click [here](#).

24. Sellafield awards 20-year contracts worth up to £7bn

Sellafield has awarded contracts to four firms to carry out decommissioning work at its Cumbria site over the next two decades. According to Sellafield, the total programme and project procurement value has an expected range of £3bn-4bn but could end up being worth as much as £7bn.

Morgan Sindall has been named civils construction management partner and said its deal was worth an expected £1.6bn. Doosan Babcock has been appointed as the process construction management partner.

Wood was awarded the design and engineering partner role with KBR appointed as the integration partner. The decommissioning programme is expected to last for 100 years at the Cumbria site, which ranges over two square miles and contains more than one thousand buildings.

25. Arcadis: Post Brexit skills shortages to push up tender prices by 4%

Tender prices are set to rise by 4% in 2022 as post-Brexit skills shortages bite across construction. The latest forecasts from Arcadis predict rises after a period of industry "treading water" while politicians dither over Brexit. The consultancy has held its short term inflation forecast at just 2-3% to 2021 as clients take a 'wait-and-see' approach to the current political turmoil. For more information, click [here](#).

26. Turner & Townsend International Construction Market Survey 2019

The consultancy has called for greater investment in new technology and methods to ensure the UK remains competitive for investment. The international construction market survey 2019 shows that construction inflation rose 2.1% in the UK capital, with average build costs now standing at an average of £2,880 per square metre.

By comparison, costs in key European commercial centres have started to soar as construction activity in these markets heats up. Construction inflation in Amsterdam rose by 8.8% during 2018, while Dublin saw prices increase by 7%. Berlin and Frankfurt – both seen as competitors to the City of London for financial organisations once the UK leaves the European Union – have seen inflation rise by 4.7%.

For more information, click [here](#).

27. Majority of SMEs expect 2019 recession

More than half of small and medium-sized construction enterprises are bracing themselves for a recession in 2019, a survey has found.

Analysis of 104 construction SMEs by Bibby Financial Services found companies had started the year with the gloomiest outlook since 2014.

In addition to 56 per cent expecting a recession, 28 per cent said economic uncertainty meant they would not be investing in their businesses over the next three months. This was up from 17 per cent at the start of 2018.

For more information, click [here](#).