



CECA National update

CECA Southern

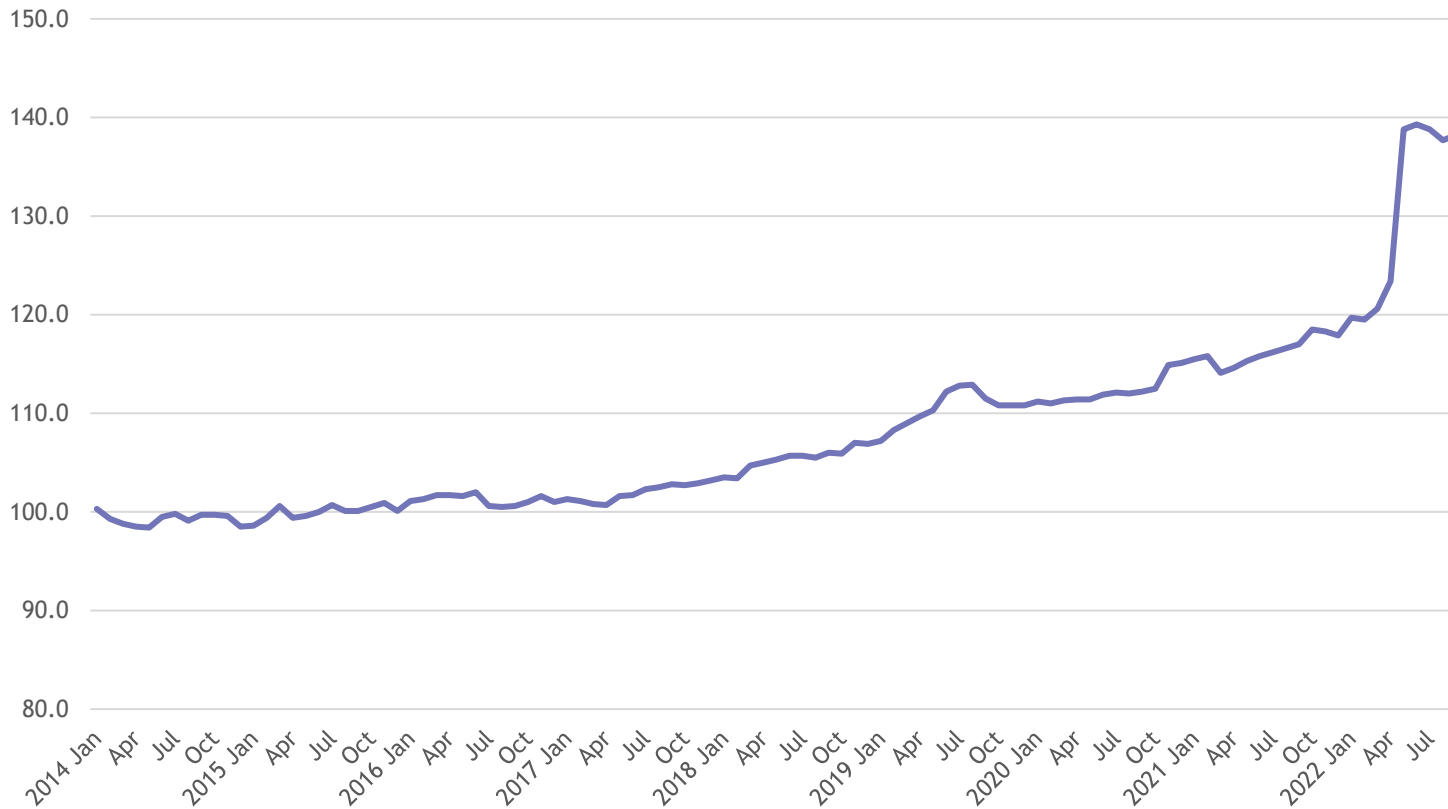
1 December 2022

Overview

- ▶ Six key issues:
 - ▶ Inflation
 - ▶ Recession
 - ▶ Local authority procurement
 - ▶ Recruitment & skills
 - ▶ Competence
 - ▶ Carbon

Cost inflation

Infrastructure Output Price Index



Cost inflation - causes

- ▶ After-effects of Covid-19 in UK and globally
- ▶ Increasing demand in UK and globally
- ▶ Semiconductor shortages
- ▶ War in Ukraine

Cost inflation - CECA actions

- ▶ Supported CLC Product Availability Group
- ▶ Developed guidance on product availability
- ▶ Worked with CLC to produce Ukraine crisis response
- ▶ Webinar & summit with BMF
- ▶ Now working with UK Government on remedies
 - ▶ Steel tariffs reallocated
 - ▶ Guidance on indexation published
 - ▶ Webinar on conflict avoidance
 - ▶ Engagement with clients
 - ▶ Insolvency research

Recession

- ▶ Bank of England warns that UK economy likely to enter long recession in 2023
- ▶ Office of Budget Responsibility believes UK already in recession, likely to last year
- ▶ Formal confirmation of recession likely to be confirmed by Office of National Statistics on 10 February 2023

Recession - likely impacts

1. Reduced workloads
2. Increased insolvency
3. Unemployment & skills loss
4. More disputes
5. Adversarial procurement
6. Financial challenges
7. Wellbeing

Workloads

- ▶ Infrastructure in better shape than wider construction
 - ▶ Regulatory settlements harder to unpick
 - ▶ UK Government committed to next 2 years capital spend
- ▶ But likely to be slowdown in parts
 - ▶ Identify ‘shovel-ready’ projects to boost near-term growth

Insolvency

- ▶ Sharp rise in insolvency
- ▶ Likely to increase once recession formally confirmed
- ▶ CECA has led research for Construction Leadership Council on causes of insolvency, and associated mitigation
 - ▶ HMRC support
 - ▶ Supplier training

Unemployment

- ▶ >400,000 rise in unemployment
- ▶ Opportunity to redeploy construction talent
- ▶ Opportunity to recruit those losing jobs in wider economy
 - ▶ Construction Talent Retention Scheme working up plans
- ▶ Specific plans for apprentices/graduates?

Increased disputes

- ▶ Previous recessions have shown an increase in disputes
- ▶ Companies and clients using disputes to protect own interests
 - ▶ Working with CLC to promote dispute resolution and avoidance
 - ▶ Reinforce work to promote less adversarial models (Construction Playbook, Project 13)
 - ▶ Republish Covid-19 commercial advice

Adversarial procurement

- ▶ Return to poor behaviours
 - ▶ Risk dump
 - ▶ Lowest cost
 - ▶ Suicidal bidding
- ▶ Working to develop webinar - 1 February - *Procuring in Challenging Economic Times*
- ▶ Associated e-learning developed
- ▶ Confidential reporting mechanism

Financial problems

- ▶ Very different to last recession
- ▶ Driven by inflation rather than credit shortage
- ▶ Unclear how financial community will respond
 - ▶ Promote HMRC support
 - ▶ Work with BEIS to avoid undue pressure from banks
 - ▶ Engage with bond providers to identify good practice
 - ▶ Revisit HM Government support on credit insurance

Wellbeing

- ▶ Likely to see impacts on workforce
- ▶ Lighthouse Club & Mates in Mind looking at industry mental wellbeing plan

Local authority procurement

- ▶ In research stage at the moment
- ▶ Trying to identify issues faced by members with local authority procurers
- ▶ Further activity in 2023

Recruitment & skills

- ▶ Skills shortage driving real challenges across industry
 - ▶ Looking to be a bit more radical on recruitment
 - ▶ Scotland and Wales trialling apprenticeship schemes
 - ▶ Opportunity for ‘CECA Apprenticeships’?
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- ▶ Continuing work to promote managed migration

Competence

- ▶ Major issue in building sector post-Grenfell
- ▶ Increasing reports about concerns on competence of employees
- ▶ PSRO formed to set standards for plant trades
- ▶ Working with CLC to consider opportunities to firm up competence for wider infrastructure trades

- ▶ CSCS Industry Accreditation

Carbon

- ▶ Published *Carbon Reduction Demystified for SMEs in Civil Engineering*
- ▶ E-learning available shortly

- ▶ Leading CLC zero diesel sites workstream
- ▶ Zero diesel route map due for consultation is live



Procurement Bill

- ▶ Briefed UK Government on Procurement Bill
 - ▶ Single set of regs
 - ▶ Most Advantageous Tender
 - ▶ Flexible or open procedure
 - ▶ Single digital platform for suppliers
- ▶ Currently in House of Lords
- ▶ Still has to go through same process in Commons
- ▶ Implementation likely to be *at least* 6 months after Act
- ▶ CECA will continue to provide training and support