

Annex 11A – Updated Final Report

Working Group 11 – Procurement Professionals

Chair: Duncan Brock, Chartered Institute of Procurement & Supply (CIPS) **Secretary:** Lauren Williams, CIPS

The lead contributors are listed in Annex A.

Executive Summary

1. In response to *Building a Safer Future*, the CSG agreed that a focus on procurement competences is required. It is recognised that poor procurement practices can lead to decisions that compromise all aspects of building and life safety, and across the sector there is a desire to improve the competence of people involved in procurement activities so that better decisions are taken at all levels of the construction supply chain.
2. The CSG established Working Group 11 (WG11), chaired by the Chartered Institute of Procurement and Supply (CIPS) to focus on procurement professionals. The working group's terms of reference are:
 - To agree specific procurement competence levels, and measures of competence, for people involved in all aspects of sourcing, tendering, contracting and contract management of suppliers and resources involved in the construction of new HRRBs; and
 - Delivering the ongoing services, refurbishment, retrofit, maintenance and repairs for all HRRBs.
3. The structure for the framework is the eight stages of the RIBA Plan of Work, with the specific procurement activities for each stage based on the standard CIPS Procurement and Supply Cycle¹.
4. The CIPS Global Standard² has provided the detailed content for the specific Procurement Capabilities and Knowledge, and these have been adapted by the members of WG11 for the construction industry and specifically for HRRBs.
5. In this context the definition of procurement is wide. It covers all of the activities in the procurement cycle and therefore this competence

¹ The CIPS Procurement and Supply Cycle can be found on the CIPS website in the Knowledge section

² The CIPS Global Standard can be found on the CIPS website in the Knowledge section

framework will be relevant to many/most people who are involved in the construction of new HRRBs and in delivering the ongoing services, refurbishment, retrofit, maintenance and repairs for all HRRBs.

6. It is recognised that dedicated, competent procurement professionals are not currently involved in all required procurement activities identified for HRRBs. This competence framework identifies the capabilities and knowledge that are needed to carry out the procurement activities, allowing organisations and individuals, whatever their current role and profession, to assess their competence to carry out good procurement practices.
7. Anyone involved in procurement activities throughout the supply chain has a responsibility to ensure that they possess the required competence set out in this document.

Key Recommendations

Recommendation One³: There must be a designated individual who is assigned as the procurement lead. This lead must have a comprehensive competence level at every stage of the RIBA Plan of Work.

Recommendation Two⁴: The HRRB Procurement Lead will be assessed and accredited against a new procurement competence framework which identifies the capabilities and knowledge that are needed to carry out all procurement activities identified for HRRBs.

Recommendation Three⁵: Implementing this Procurement Lead role will need a culture change in the construction sector and work is needed to raise awareness of the new competence requirements for procurement activities to ensure appreciation and compliance.

Industry Context

³ R63 in the 'Raising the Bar' interim report overall recommendations (see p.34)

⁴ Included in R3 of the 'Raising the Bar' interim report generic recommendations (see p.26)

⁵ R64 in the 'Raising the Bar' interim report overall recommendations (see p.34)

8. It is recognised that throughout the construction industry it is not always common practice to have dedicated procurement professionals involved in every procurement activity. This also applies to HRRBs. It has been accepted that the procurement activities can be carried out by other professions without ensuring that they have the full commercial competencies and experience.
9. In comparison, other sectors such as Oil & Gas and Automotive would not allow procurement to take place without going through a proper structured procurement process led by procurement professionals. It is accepted that the situation in construction needs to change.

Responding directly to questions arising from Dame Judith Hackitt's recommendations

10. In Dame Judith Hackitt's report there were a number of recommendations made about Procurement and Supply, and the Government's response was published by the Ministry of Housing, Communities and Local Government on 18 December 2018 in the Policy Paper - Building a Safer Future: An Implementation Plan. Chapter 9 of the Policy Paper covers Procurement and Supply, it stated that:

10.1:

- a. For higher risk residential buildings (HRRBs), principal contractors and clients should devise contracts that specifically state that safety requirements must not be compromised for cost reduction.
 - b. The Government should consider applying this requirement to other multi-occupancy residential buildings and to institutional residential buildings.
11. The Government accepts this recommendation and will work with procurement professionals across the public and private sectors to develop standards and disseminate procurement best practice that prioritises safety outcomes.

11.1:

- a. For HRRBs, tenders should set out how the solution that is proposed will produce safe building outcomes, approaching the building as a system. Those procuring should use the tender review process to test whether this is the case.
 - b. The Government should consider applying this requirement to other multi-occupancy residential buildings and to institutional residential buildings.
- 12. For HRRBs the information in the contracting documentation relating to the safety aspects should be included in the digital record set out in Chapter 8.
- 13. To support the implementation of these recommendations, it has been identified that improving the competences of everyone involved in procurement activities will be a key factor.
- 14. This competence framework identifies the capabilities and knowledge that are needed to carry out the procurement activities, allowing organisations and individuals, whatever their current role and profession, to assess their competence to carry out good procurement practices.
- 15. The new Procurement Competence Framework for HRRBs included within the appendices of this document directly addresses the above recommendations, and also suggests further recommendations in order to improve the overall procurement process for HRRBs to preserve life and building safety.

Detailed analysis of issues

- 16. Throughout the discussions in WG11 and the CSG, there have been many examples provided of poor commercial practices that have led to a focus on price and margin at the expense of safety. We know that profit margins throughout the construction industry are low and with high levels of competition there is a real concern, despite the best intentions of everyone involved in the various working groups, which the culture of low prices and undercutting of competitors will continue.
- 17. It is recognised that to embed a safety first mentality through the sourcing, contracting and contract management process is a significant change from the current operating environment, and the fear expressed by some of the contractors is that if they follow the best practices recommended in this report they will lose new contracts to other contractors who continue to cut

corners to win business. They all quote examples of where this has happened in the past, and where safety has been compromised for commercial gain.

18. Other industries have gone through similar culture changes and commercial practices have altered. A balanced approach to decision-making at every stage of the sourcing, contracting and contract management process is needed. We have built this into every stage of the new HRRB Procurement Competence Framework.
19. It has been identified that one of the main issues is that procurement activities are too often being carried out by individuals who are not fully qualified or fully competent which leads to poor decision-making and focus on price rather than building safety. This drives poor behaviours throughout the supply chain, and when margins are tight there is a potential for people to prioritise cost over quality and safety. This occurs not only at the awarding of a major contract but all the way down through the contractor and supplier supply chain.
20. It is clear that the current approach to tendering and contracting reinforces these price focused behaviours as was highlighted by *Building a Safer Future*.

Raising the bar: Proposed approach

21. It is recognised that dedicated, competent procurement professionals are not currently involved in all required procurement activities identified for HRRBs. A new competence framework has been created to identify the capabilities and knowledge that are needed to carry out the procurement activities, allowing organisations and individuals, whatever their current role and profession, to assess their competence to carry out good procurement practices.
22. It has become clear through the discussions in WG11 that a HRRB Procurement Lead with a comprehensive procurement competence level is needed at every stage of the RIBA Plan of Work, and if it is not the same person involved all the way through the project, there needs to be a clear way of transferring knowledge and information as the project progresses. We also need to define a way to assess and accredit individuals to work on procurement activities on HRRBs. The HRRB Procurement Lead does not have to be a qualified procurement professional, but they will be required to demonstrate that they have achieved a comprehensive level of competence as defined in the Competence Framework in Annex 11C in supporting documents.

What is a Procurement Lead?

23. Through education, training and experience, a Procurement Lead competently applies knowledge and understanding of:
- How to achieve value for money outcomes within the supply chain through effective spend management;
 - The importance and benefits of early involvement of the supply chain in construction projects;
 - How to formulate selection criteria and sourcing strategies to ensure that the organisation will achieve the appropriate choice of supplier for goods, services or works;
 - How to create robust contractual arrangements with the organisation's supply chain to ensure positive outcomes in cost, time, quality & safety;
 - How to deliver value added outcomes to the organisation which can include:
 - improved quality and safety;
 - achievement of timescales;
 - required quantities;
 - reduced prices and costs;
 - innovation and sustainable supply of goods;
 - services provided by external suppliers;
 - How the external environment influences procurement and supply;
 - Recognising, evaluating and promoting the importance of ethics and responsible procurement in organisations and supply chains;
 - How to effectively work with the technical experts to ensure products and materials are delivered and installed to the required quality and meet the defined specification
 - Opportunities for the use of technology and systems to improve procurement and supply;
 - Methods to monitor and collate information and data to communicate performance to suppliers and stakeholders; and
 - How to lead and coach people within the organisation, suppliers and other stakeholders to further the objectives of improved procurement and supply.

24. Anyone involved in procurement activities throughout the supply chain has a responsibility to ensure that they possess the required competences set out in WG11's recommendations. The framework applies not only to procurement conducted by the client, but also carried out by prime contractors and contractors throughout the supply chain.
25. This competence framework identifies the capabilities and knowledge that are needed to carry out the procurement activities, allowing organisations and individuals, whatever their current role and profession, to assess their competence to carry out good procurement practices.
26. This framework is built on best practices in procurement, using the CIPS Global Standard for Procurement and Supply as the foundation. Applying best practice procurement will ensure that safety considerations for HRRBs are fully assessed and incorporated into any decision making processes, making sure they are not compromised by short term commercial benefits.
27. The detailed framework is included in Annex 11C and can be used as follows:
 - For individuals to assess their current procurement competences and identify gaps in capabilities and knowledge that need to be closed;
 - For organisations to assess the competency of people involved in HRRB procurement activities to identify gaps in capabilities and knowledge that need to be closed; and
 - For organisations to use when recruiting procurement professionals to work on HRRBs, to ensure they are competent to carry out their role.

Programme for delivery and primary authorities

29. The following steps are proposed for successful implementation of the new Procurement Competence Framework for HRRBs:
 - Work with other professional institutes such as CIPS, RICS, RIBA, CIOB, IWFM etc. to agree how the accreditation of the Procurement Lead aligns to their existing accreditation frameworks;
 - Finalise the assessment and accreditation approach, in line with the recommendations for the Overarching Competency System, proposed by WG0 and included in the Government's consultation¹⁰³ and develop the assessment tool and process for accreditation;

- Work with the Local Government Association (LGA), National Housing Federation (NHF), Early Adopters, CIPS Construction Procurement Leadership Group, and members of WG11 to roll-out the Framework and raise procurement competencies in their organisations;
 - Raise awareness of the new competence requirements for procurement across the construction sector through conferences and forums held by relevant sector bodies; and
 - Update the framework to reflect changes to the RIBA Plan of Work, and the regulatory and guidance changes resulting from the Government consultation and legislation.
30. It is envisaged that all of the above can be completed by the end of 2020.
31. CIPS is the Primary Authority for the procurement competence standard, assessment and accreditation.
32. UKAS are being considered as the Oversight Body for the CIPS procurement competence assessment and accreditation processes.

Barriers to delivery

33. Barriers to delivery include:
- Acknowledged acceptance in the construction industry that procurement practices need to change to ensure there is a balanced approach to commercial decision making, taking into account safety as well as cost. This is a culture change and needs to be linked to the other culture change initiatives that are being proposed by the CSG;
 - Investment in the proposed competence assessment approach and register of individuals. CIPS is willing to contribute towards the necessary funding, but other funding will be needed;
 - Getting the first organisations to make necessary investments in people, education and training to raise procurement competences to the required standard;

- Investment from all of the major organisations involved in the construction supply chain to raise competence levels through training and education;
- Cascading the procurement competence-raising initiatives down through the smaller contractors where it may not currently be recognised that these specific procurement competences are needed;
- The difficulty an organisation may have in deciding when to invest in a dedicated and fully competent procurement professional to work on a specific HRRB project and;
- Holding organisations to account if they don't demonstrate that they have implemented the proposed competence improvement initiatives and they continue poor procurement practices, leading to safety being compromised for commercial gain.

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