



# **The JCT Povey Lecture**

**A Time for Partnership**

Peter Hansford

14 November 2013

## **Introduction**

On Thursday 14 November the JCT Povey Lecture was given by Peter Hansford, Government Chief Construction Adviser. His lecture, entitled 'A Time for Partnership', was presented at the Bevin Hall, Local Government House, Smith Square, London.

The JCT Povey Lecture is an annual event at which an eminent person is invited to give his/her thoughts on significant matters that are relevant to the construction and property industry.

The JCT Povey Lecture was inaugurated in 2003 as a public acknowledgement and tribute to Philip Povey who served the Joint Contracts Tribunal for 50 years.

## **Biographical Details**

**Philip John Povey – Barrister** – commenced in construction as a legal adviser to the NFBTE, later became the Construction Confederation, in 1951. At the same time he began to assist the Joint Secretaries of the Joint Contracts Tribunal (the JCT).

Philip first became Director of Legal Services at the Confederation and then its Director General. He later became the first Secretary-General of the restructured Joint Contracts Tribunal Limited in 1998.

Philip's work for the JCT became well known through the publication of JCT Standard Forms of Contract, which in time found their way to many parts of the world. He had a keen mind, which steered him around what he viewed as the less important or parochial issues for which the industry seems to have a particular attraction and enabled him to get to the core of a problem and to resolve it. He was an extremely skilful draftsman who invariably managed to satisfy the demands of many disparate, often competing, bodies.

Although there were committees, working parties and individuals that provided valuable input, it was Philip who shouldered the burden of writing the text.

He retired from the JCT at the end of 1999 but died suddenly only 18 months later, in 2001.

## **About JCT**

The Joint Contracts Tribunal was established in 1931 and has for over 80 years produced standard forms of contracts, guidance notes and other standard documentation for use in the construction industry.

The Joint Contracts Tribunal is an independent organisation representing all parts of the construction industry and is the leading provider of standard forms of building contract. The following are Members of JCT:

British Property Federation Limited  
Contractors Legal Grp Limited  
Local Government Association  
National Specialist Contractors Council Limited  
Royal Institute of British Architects  
The Royal Institution of Chartered Surveyors  
Scottish Building Contract Committee Limited

and JCT Council is comprised of five Colleges representing:

employers/clients (including local authorities)  
consultants  
contractors  
specialists and sub-contractors  
Scottish building industry interests.

Chairman: Peter Hibberd MSc, FRICS

Chief Executive: Neil Gower BA Hons, Solicitor

Past Chairmen:

1931 – 1956	Sydney Tatchell CBE, FRIBA
1956 – 1960	Sir Percy Thomas OBE, PRIBA
1960 – 1973	A. B. Waters CBE, GM, FRIBA, FRIAS, PPCI Arb
1973 – 1978	P. H. Bennett CBE, MA, FRIBA, FRSA
1978 – 1983	Norman Royce FRIBA, PPCI Arb
1984 – 1988	Patrick H. Barry OBE, RIBA
1988 – 1995	Roger M. Squire MA, FRICS, FRSA A. M. Millwood OBE, FRICS, FCI OB (Acting Chairman – May to September 1995)
1995 – 2002	Roy Swanston Hon DSc, FRICS, FIMgt, FRSA
2002 – 2007	Christopher Vickers CBE, FRICS, ACI Arb Neil Smith FRICS, MCI Arb (Acting Chairman – December 2007 to February 2009)

## **A time for partnership**

**Peter Hansford | Government Chief Construction Adviser**

Putting construction at the heart of economic growth demands strong partnership between industry and government. It's time to really look at how that can make a difference. It's time to focus on partnership.

Good evening. It was a great privilege to be invited to deliver the 2013 JCT Povey Lecture.

I took office as Government Chief Construction Adviser in December last year, stepping into the very big boots of Paul Morrell. From a career in civil engineering and project management, and involvement in some of the largest infrastructure projects, I thought I knew this industry. But arriving in this job I soon realised there was much to learn – indeed there is still much to learn.

I'd previously worked as an executive director of the Strategic Rail Authority dealing very closely with the Department for Transport.

So I thought I had a reasonable handle on the way government works. But I now see this was merely a brief introduction to the complexity of government.

As President of the Institution of Civil Engineers, I was closely involved in the Low Carbon Innovation and Growth Team initiative and the Infrastructure UK Cost Review programme, so I thought I understood the way the construction industry interfaced with government. But once again, I've found it's much more complex than I'd realised.

## **A complex relationship**

If partnership is to succeed then who do we talk to? I hear this all the time from lots of people – both from people in industry and from inside government.

In his JCT Povey Lecture in 2008, Nick Raynsford eloquently described the complex relationship between the construction industry and government. He set out the three distinct roles of government with respect to construction:

- responsibility for economic management and construction's contribution to national GDP
- by far the largest client of the industry, accounting for some 40 percent of the order book
- and regulator of the industry.

Responsibility for construction is spread across numerous departments, in order to execute these roles and provide appropriate Ministerial accountability. Cabinet Office has a mandate to drive cost reduction and efficiency across government spending departments. The Treasury controls the budget – both the quantum and the way it is spent. BIS promotes growth across industry and encourages and supports innovation and skills development. Many of the departments act as clients of construction projects, procuring and delivering in a variety of direct and indirect ways. And DCLG and DECC act as regulators within their respective policy areas.

This is a complex and diverse picture. We all hear some in industry say, “So who do we talk to?”.

Equally, the construction industry is wide-ranging. The industry embraces everything from:

- highly creative architectural and engineering design and planning
- mineral extraction
- product manufacturing
- construction, maintenance and operation; to
- decommissioning, demolition and disposal.

And the industry is represented by an enormous number of professional, trade and umbrella organisations. Just trying to map them all is an interesting exercise in itself. There is no doubt that our industry appears complex to an outsider. No wonder we hear some in government saying, “So who exactly do we talk to?”.

It is not my intent to criticise current or previous arrangements aimed at channelling the conversation between government and the construction industry. They have worked to a greater or lesser extent. But I believe there has been an essential missing ingredient – that true sense of partnership.

### **We’ve made good progress**

Of course, big changes are not new to construction. The last 20 years have seen massive improvements in our industry.

These have been driven in large part through initiatives by Sir Michael Latham with his 1994 report, *Constructing the Team*; by Sir John Egan with his 1998 and 2002 reports, *Rethinking Construction*; and by Andrew Wolstenholme with his 2009 report, *Never Waste a Good Crisis*.

Significant changes have been made, but these have been largely incremental – and that is not to undervalue the importance of these initiatives. But something is missing – an effective partnership between industry and government.

During the last three years, government has been seeking ways to reduce the cost of construction in the public sector by some 15 to 20 percent during the life of the current Parliament. The Government Construction Strategy is starting to have an impact with significant savings in some government departments.

In particular, Building Information Modelling (or BIM) is driving cost and time efficiencies in some departments. And I can see that it will make an enormous difference across the government estate. This will take time. But it is clear that the BIM revolution has momentum and is unstoppable.

The Infrastructure UK Cost Review has challenged the cost of infrastructure in the UK. It has promoted a healthy dialogue around better and more cost effective ways to specify, procure and deliver infrastructure projects.

Its legacy is the creation of a Client Working Group – a client-to-client body that is starting to share learning and best practice between public and private clients of infrastructure programmes and projects. A good example of partnership.

The Green Construction Board is another example of private public collaboration, involving government departments and industry players. In March it published its Low Carbon Routemap, which identifies the work required for the built environment to meet the 80 percent carbon reduction target by 2050 as required by the Climate Change Act.

The Board is now looking at sector specific plans such as for retail and warehousing – and technology specific plans, in areas like lighting, heating and refrigeration. Large carbon reduction gains are expected in these sectors. And the Green Construction Board is addressing how to show that low carbon can result in lower whole-life cost. This will be the big prize if it can be achieved. The Infrastructure Carbon Review will be launched later this month.

Important though these initiatives are however, it seems they only touch the surface of the issues we face. How can we transform construction in this country to be truly world class?

UK construction has in the past had a poor reputation – but we've moved a very long way from there. It was once characterised by late delivery and significant cost overruns, with high-profile projects delivered later than planned, with costs way above their original budgets.

We can all think of the Channel Tunnel, the Jubilee Line Extension, the British Library, the Scottish Parliament Building, Wembley Stadium – the list goes on. The causes of the overruns have been well researched and documented. But we've turned a corner – Channel Tunnel Rail Link, London 2012, M25 widening and many other recent schemes have been delivered on or ahead of time and to budget.

Similarly, construction in the past has been characterised by commercial friction between clients and suppliers and within the supply chain; by chronic late payment; by all too frequent accidents; by unsatisfactory workplaces; and being unrepresentative of the diversity of our society. It has been thought of as an industry slow to embrace change.

These characteristics are no longer true – or at least they are no longer the norm. The industry has made good progress.

I'm not going to analyse here how much progress has been made in each of these areas. But it is clear to me that there is still some way to go on the journey to becoming a truly world class construction industry, fit for playing our role at the centre of economic growth. I believe it's for industry and government to deliver this transformation together and to deliver it through partnership.

### **An agenda for change**

In September 2012 Vince Cable, the Secretary of State for Business, Innovation and Skills set out his plans for an industrial strategy, with sector strategies to be created for a number of key sectors of the economy. Construction was one. The industrial strategy would map out how each industry sector would contribute to growth in the economy.

Crucially, construction was identified as an enabling sector. The construction industry is a major contributor to economic growth, across all sectors of the economy. Growth in construction benefits many other parts of the economy.

The industry has enormous reach. The CBI has described construction as being “at the heart of the economy”.

Construction enables growth:

- in transport – road, rail, aviation
- in energy – conventional, renewables, nuclear
- in water – domestic, industrial and waste
- in digital infrastructure – particularly the roll out of 5G and broadband
- in housing – new build and refurbished
- in social infrastructure – education, health, civic
- and in commercial property – new and existing.

And indeed it enables growth in many further sectors of the economy.

Work on the Industrial Strategy for Construction started in January of this year and I spearheaded its development in my capacity as Government Chief Construction Adviser. The result, Construction 2025 was published on 2 July this year.

## **Construction 2025**

From the outset, development of the industrial strategy was a collaborative venture with the industry. To steer its development I created an advisory council, the Construction Industrial Strategy Advisory Council (CISAC).

CISAC comprised senior industry players drawn from all parts of the industry – major clients, designers, academics, product suppliers, house builders, large, medium and small general and specialist contractors. They provided the support and challenge which resulted in a better outcome. Looking back, I see how the work of CISAC laid the foundations for a partnership with industry.

In parallel, my civil service colleagues established a cross-government group, comprising officials from all the many departments with an interest in construction, including representatives of the devolved administrations. That way we ensured that the strategy would have buy-in across Whitehall and beyond.

We set up a number of workstreams, led by the Strategic Forum for Construction, the CBI and academia, so as to bring together views from across the industry. In fact development of the strategy involved over 200 people.

Working on the industrial strategy brought the industry together in ways that had rarely been seen before. It seemed to provide renewed energy.

In producing the industrial strategy, industry and government created a joint agenda for the changes needed in construction – a clear benefit of working in partnership.

## **A vision for 2025**

Let me remind you of the key points from Construction 2025.

It starts with a vision of a world very different from the past, and in many ways very different from today. Where buildings and infrastructure are conceived and built much faster, with greater whole-life value and better carbon and energy performance.

With construction driving growth across the whole economy, and with UK companies working in partnership in markets at home and overseas.

A vision of a world driven by digital technologies: in design, manufacturing, logistics, construction and whole-life asset management, with efficient procurement and strong, resilient supply chains. Of an industry that leads the world in research and innovation, sustainable construction, advanced materials, smart buildings and infrastructure, and exciting new technologies.

And a construction industry respected by society, with multi-talented young people, girls and boys, aspiring to take up rewarding professional and vocational careers in the



built environment. Where leaders of our industry join together to tackle the challenges of the day, in productive discussion with government.

The vision of Construction 2025 is that by 2025 construction in this country has been radically transformed.

This cannot be achieved by government or industry acting alone. Wholesale transformation of our industry requires partnership.

## **Joint Ambitions**

The strategy sets out these joint ambitions for industry and government to achieve by 2025:

- a 33 percent reduction in both the initial cost of construction and the whole-life cost of assets – and note the emphasis here on whole-life costs
- a 50 percent reduction in the overall time from inception to completion for new build and refurbished assets
- a 50 percent reduction in greenhouse gas emissions in the built environment, in both the construction and operating phases – this is in line with the Low Carbon Routemap; and
- a 50 percent reduction in the trade gap between total exports and total imports for construction products and materials – with more products and materials sourced in Britain.

These are long-term ambitions, jointly shared by industry and government.

The strategy does not spell out how these ambitions will be achieved. It sets the direction and puts in place the framework to develop and implement action plans. This cannot be achieved without partnership.

Strategic priority areas and drivers of change are identified. These are grouped under the headings of People, Smart, Sustainable, Growth and Leadership.

## **People**

Just as construction is at the heart of the economy, people are at the heart of construction.

Achieving the ambitious changes set out in Construction 2025 will not happen without a clear focus on people. It is the key area for industry and government to tackle together.

As an industry, we have a fantastic opportunity to convey the excitement of working in the built environment. Our industry creates amazing iconic buildings, and vital infrastructure which society needs. We contribute to the solution of major issues of the day, such as tackling the impact of climate change, energy and water shortages, and poverty reduction. And we make our communities better places for future generations.

To transform construction in the UK we must attract and retain the right people – multi-skilled, diverse, creative and hard working. It must become an industry of choice. To achieve this we need to fundamentally change how the general public perceives the construction industry. We must transform our image together.

To inspire the next generation – girls and boys – to embark on careers in construction, we need to communicate widely the things that we do; the differences we make to the world; the exciting new technologies we embrace. This must start at a young age – perhaps 11 or 12 years old or earlier, certainly before school curriculum choices have to be made. And in addition we need to inspire teachers and parents, as they are very influential when it comes to career choices.

During my year as ICE President I promoted a schools project, the ‘Create Sport Challenge’. This was the year before the London 2012 Olympics. School teams from across the UK took part and each designed and built a model of a community sports venue for their local area. They considered issues such as planning, the environment, transport and materials.

This project alone created an awareness of engineering and construction with over 1000 school children as well as their parents and their teachers. All of us can play our part in initiatives like this.

There are a number of schemes doing good work in conveying a sense of excitement about opportunities in the built environment. It is important that these are supported by the industry and delivered as effectively as possible.

One such scheme is the annual ‘UK Young Scientists and Engineers Fair’, known as ‘Big Bang’. The next one is at the NEC in Birmingham in March 2014. Last time I was disappointed to see how few construction companies were involved and I’m challenging construction companies to get involved next year. This should be an important showpiece for our industry and a great opportunity for us to improve our image. I know there’s a cost in doing things like this, but I see the long-term return as being huge.

Another area affecting the image of the industry is working conditions. The UK construction industry has made enormous progress over the last decade to improve site safety. Conditions of the 1990s would not be recognisable today.

But we still have a long way to go. 70 percent of fatal accidents now occur in the SME sector, so we need to turn our focus to standards on small projects. And whilst we've come a very long way in safety, we must now bring the same focus to occupational health.

Our goal must be to create a working environment that is comparable to those in other sectors of the economy – or why not better than other sectors? This is about making this industry a great place to work in, and a great place in which to pursue a career.

Lack of diversity in construction has a huge impact on the image of the industry. Less than 14 percent of people in construction are women and only 2 percent are from ethnic minority groups. This is far from being representative of society in the UK. We can start to redress this by focusing on and celebrating the differences that our industry makes to the world.

The charity Engineers Without Borders UK seeks to make a massive difference to the world through small engineering interventions. I find it interesting that EWB's membership is over 50 percent female. It is a big lesson for us all.

By celebrating the positive change that our industry makes to the world – and how young people can contribute to that change – I am convinced that we can attract a more diverse workforce.

One way that the public can see how the construction industry works is through the home improvements sector. Customer experiences here – good or bad – have a huge bearing on the image of the industry with the general public.

To them, it is all the same – and it's just a question of scale. So we must find ways of driving up standards in domestic construction and of marginalising the incompetent players.

Government is playing its part by promoting the benefits of the TrustMark scheme and industry can respond by demonstrating its support. Again, this is an area for partnership with a common goal.

Finally we need to increase the capability of our workforce. The industry faces a pressing need for skilled capable workers, who can deliver transformational change over the next decade. As the wider economy emerges from the recession, construction firms must be able to recruit and retain people in sufficient numbers to meet the increasing demand for construction.

We will need people with new types of skills as new technologies and new construction methods start to take off. The vision set out by Construction 2025 is of an industry that is known for its talented and diverse workforce – only through working in partnership can this be achieved.

## **Smart**

Another area for partnership is smart construction. Technology is moving fast, even in construction. We are moving quickly towards a digital economy, which is starting to have profound implications for our built environment. We must act now to ensure UK construction is, and remains, at the vanguard of smart construction and digital design.

We have made a good start through the Building Information Modelling programme, or BIM. These digital approaches to how we design, manufacture, assemble and manage facilities are starting to transform the way construction is carried out. Impressive efficiencies are being realised, with around 20 percent savings on some projects.

Government has mandated the use of BIM on all centrally procured Government construction contracts by 2016. Private sector clients are starting to follow suit. However the opportunities from BIM are much greater.

We will only deliver more sustainable buildings faster and more efficiently, with far less process waste, if we adopt these digital techniques.

BIM is also critical to the successful implementation of a wider off-site manufacturing strategy. The benefits of off-site construction include greater precision and quality, reducing overall time in manufacture and assembly, and safer and cleaner working conditions. Government is seeking to remove barriers to the use of off-site construction. It is for the market to decide when and how to build off-site. Once again, this is an example of partnership.

And there is more to this than just BIM. We have a world-class science and research base that supports the development of innovative solutions in a number of priority areas. These solutions need to be exploited across the industry.

We are seeing the emergence of technologies in sensors and data management that will become embedded in our assets – creating smart buildings and smart infrastructure. These will enable performance of the asset to be constantly monitored and drive substantial efficiency gains in facilities and asset management.

Adopting these innovative technologies will provide asset owners with a full understanding of the structural performance of their assets, both during their construction phase and also their design life.

This will result in smarter designs, using less material, less carbon and less labour for construction, whilst still ensuring full resilience of the assets.

However the industry's uptake of these new ideas is limited. The challenge is threefold: to make research knowledge more visible in the industry; to make the most of the technologies that already exist; and to remove barriers that prevent innovative solutions being used – whether due to lack of knowledge, or commercial constraints or reasons of industry structure.

This is another area for industry and government to work in partnership – to realise our vision of an industry that is efficient and technologically advanced.

## **Sustainable**

The transition to a low carbon economy presents the industry and government with terrific opportunities for growth. Environmental considerations will transform what we build, what materials we build with and how we build it. This reaches into every part of the supply chain. One of the biggest areas of opportunity is our existing housing stock, which accounts for over half of the greenhouse gas emissions from the built environment.

The construction industry has perhaps the most influence over its carbon impact in infrastructure. In this area, less carbon can equate to less capital cost, and indeed to lower whole-life costs. There is now a real challenge to also realise this for buildings. The Green Construction Board – a partnership body between industry and government – leads this work.

Clients have an important role to play in transforming the construction industry. How projects come to market has a significant impact on the ability of the industry to provide innovative, whole life, value-for-money solutions.

Government is a major client of the industry. Much has been done in recent years to improve clienting skills in government departments, but there is still more to be done. The focus is now turning to occasional and one-off clients, many of which are in the wider public sector.

And indeed many private sector clients also have much to learn in improving their skills. As an industry we still need to do more to drive procurement efficiency and explore options for further efficiency gains in the procurement process.

For an industry to be sustainable it is important for clients to provide as much visibility as possible of the workload ahead. A better understanding of the shape of future work prospects in all the key public and private sector markets provides business with a sound basis to make investment decisions.

Government has been publishing a pipeline for infrastructure and construction opportunities since 2011 and is now working to make this more accessible and easier for businesses to use. I believe the pipeline should be extended to include the work of private sector clients, and also repair maintenance and improvement work.

No one will guarantee that all the work in the pipeline will actually happen, but the intent is for it to be as up to date and robust as possible, so as to inform on going investment decisions.

Yet again, it is time for partnership, this time between public and private sector clients. Only through partnership will we see an industry that leads the world in low-carbon construction; with improved client capability and efficient procurement, and a clear view of future work opportunities.

## **Growth**

Growth is of paramount importance to government and the construction industry. It is time for partnership to achieve growth.

The global construction market is increasing rapidly – over 4 percent per year to the end of the decade – with substantial growth in emerging economies.

Transforming the UK construction industry provides significant opportunities for global trade.

The UN has forecast that the global population will grow to 9 billion people over the next 40 years. That's a population growth of around 25 percent. And most of this growth will be in urban environments. India alone will have a population of over 1.5 billion. These huge shifts present enormous challenges, for water and sanitation, for power, for transport – all areas where UK construction has expertise.

The UK has a global reputation in architecture, design and engineering. We lead the world in sustainable construction solutions and in digital engineering. And we have a strong reputation for our collaborative forms of contract and ethical businesses practices.

In construction products, it is a less rosy picture. Imports of construction products are currently twice the value of our exports. The Government wants to address this imbalance across the whole industry, exploring opportunities for UK construction companies to compete overseas.

Through a more strategic approach to global trade, and focusing on the UK's comparative strengths, there is surely considerable scope for the UK to massively increase its share of these rapidly expanding global export markets. But there must also be a strong and resilient supply chain.

Construction has been hit hard by the economic downturn. The impact of this is being felt strongly among the many small companies that operate across the sector.

The ability of construction companies to access the right type of finance is vital for them to operate and grow. There is a significant problem with cash flow in the industry. This puts supply chains under stress and increased risk of failure, and inhibits construction businesses from growing.

Addressing this is a priority if we are to bring about an industry that drives growth across the entire economy, with a strong and resilient supply chain.

There are a number of initiatives aimed at getting cash into the supply chain as quickly as possible. But it is clear that there is more to be done.

Government-led initiatives alone won't bring about the behaviour change required in this area. Working together in partnership, government and industry need to create the conditions for supply chains to thrive and be confident enough to invest in new technologies, new plant and more people.

## **Leadership**

My last but most important topic is leadership. Taking the strategy forward requires clear and strong leadership. This falls to the new Construction Leadership Council, co-chaired by Vince Cable and Sir David Higgins, with broad representation from across the construction industry.

The Council is where the partnership between industry and government comes together.

It's early days for the new Council. In a way it's still in its 'forming' stage. But I am hopeful that this signals a new relationship between the construction industry and government. Both are committed to a clear agenda to transform construction in this country.

## **A sense of partnership**

When we launched Construction 2025 at the beginning of July, some commentators asked what was different this time. We've had Latham and Egan, why will this succeed when arguably they have not?

Other commentators asked why government doesn't simply mandate the changes required. BIM is proving transformational to the industry and that has happened largely because government has mandated its use – so why not extend this approach?

To my mind, the significant differences between previous initiatives and the industrial strategy that we have in Construction 2025 are first, it has been developed jointly by industry and government in partnership; and second, the change is to be driven by a joint Leadership Council.

By capturing the hearts, minds and energies of all parties across our industry, I am confident that the outcomes will be far more enduring than if government sought to mandate change from on high.

Will the strategy and the new partnership survive a change of government? I think they stand every chance. If politics change, the industry team should be strong enough to carry this partnership through. Time will tell.

It is clear that Construction 2025 has strong support, from across the industry and across all parts of government.

I am hopeful that implementing the changes will receive equally strong support.

The task of making it happen is not just for government, not just for industry. It requires a joint desire, joint resourcing and joint commitment. Without this sense of collaboration – this sense of partnership – it will fail.

It's clear to me it's time for partnership.

Thank you



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