



dti

CONSTRUCTION SECTOR UNIT

ANNUAL REPORT

2004/05

REAR ELEVATION. Balcony doors partly open.

REAR ELEVATION



The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

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# Introduction

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The Construction Sector Unit (CSU) is the lead unit within the Department of Trade and Industry on construction issues and works closely with the construction economists and statisticians in DTI's Industry Economics and Statistics (IES) unit. This report outlines, within the context of the DTI's overarching objectives, the achievements of these two sections in issues related to the construction sector.

We focus in this report mainly on activities and achievements arising from our direct engagement with industry. Alongside this work, CSU also provides ongoing support for Ministers: advice on correspondence handling, briefing on policy issues, and for events and meetings with industry. This routine work is done behind the scenes, but is nevertheless an important feature of our role.

Construction is hugely important to the economy (accounting in 2002 for 8.2% of both Gross Value Added and Gross Domestic Product with output at £102.4 bn in 2004 current prices). The Unit's role is as a "critical friend" of the sector, working with partners in Whitehall, Brussels and industry to achieve our Vision – "...for the UK construction industry to be consistently world class in delivering products and services that maximise value for money for end-users, and exceed expectations".

The economic importance of the sector and the presence of a wide range of drivers for change which we can influence (sustainability, health and safety, regulation etc) led to construction being assessed as a high priority in a review of DTI's business engagement activities this year. This was an encouraging outcome which supported the Unit's overall approach, and influenced local resource provision – a very practical consideration.

This year has seen key developments in Quality Mark (now replaced by TrustMark), Sustainability, development of a Technology Strategy for the Modern Built Environment and the review of payment mechanisms in the Housing Grants, Construction and Regeneration Act 1996 (the Construction Act). We have input to a wide range of government reviews including reviews by the National Audit Office, the Kelly Review, the UK Sustainable Development Strategy, the UK Climate Change Programme review and response to the 2002 OECD report on UK's environmental performance.

We have also input strongly to regulatory developments impacting on the construction industry such as the European Union Emissions Trading Scheme.

As always we have driven forward, with industry support, the industry improvement agenda (based on Sir John Egan's Rethinking Construction and Accelerating Change Reports) and development of DTI funding mechanisms for research and development.

# Highlights of the Year

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- *Gershon Efficiency Review highlighting the need to improve public sector procurement*
- *Government response to the report by the Sustainable Buildings Task Group initiating development of a Code for Sustainable Buildings*
- *Development and launch of the Site Waste Management Plans*
- *KPI results reflecting continued high performance of projects in the DTI-supported demonstration programme*
- *Launch of a Technology Strategy for the Modern Built Environment and industry success in obtaining funding under DTI's collaborative R&D Product*
- *Launch of the "starter" Clients Charter*
- *Merger of Constructing Excellence and Collaboration for the Built Environment*
- *National Audit Report on Improving Public Services through Procurement in February 2005*
- *February 2005 Safety Summit and launch of the Respect for People Code of Good Working Health and Safety Practices*
- *Launch of guidance to employers/agencies about employing overseas workers*
- *Successful participation in Interbuild, 25- 29 April 2004.*
- *Construction was made a priority for the Envirowise programme.*
- *Launch of the Quality Protocol for the production of aggregates from inert waste.*

# Supporting Successful Business and Forging Closer Partnerships

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## Relationship Management

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The Unit has continued to maintain close contacts with key influencers in the industry. The Unit focuses on multipliers that are able both to input the views of a significant part of the industry and disseminate information to the industry and to influence development and delivery of the improvement agenda. The Unit achieves this through close links with:

- The Strategic Forum for Construction
- New Construction Innovation and Strategy Panel
- Constructing Excellence
- CITB-ConstructionSkills and SummitSkills
- Other Government Departments including ODPM, DEFRA and the Health & Safety Executive
- Key companies in the sector
- Umbrella trade associations
- The Sustainability Forum
- UK Trade & Investment (UKT&I)
- Regional Development Agencies
- A wide range of other Government Departments and Agencies
- Non-Governmental Organisations

We also have key links with innovators in the industry – both representative organisations and companies – to influence and increase the innovation in the industry and to identify and tackle barriers to continuous improvement.

These relationships are constantly being refreshed to ensure that we stay abreast of change within the industry.

We had a very successful stand at Interbuild in April 2004 with an encouraging level of contacts made on the CSU stand. The event provided a good opportunity not only to make contact with contractors large and small to explain our role, but also able to signpost enquirers to other key organisation such as Constructing Excellence.

# Industry Improvement Agenda

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## **Facilitating development of effective industry infrastructure**

Wherever possible, we work to encourage and enhance effective industry-owned infrastructure that can drive forward the improvement agenda. Our role is to facilitate rather than to second-guess the agenda and the business case for change.

This is the second year of operation of the Strategic Forum for Construction and has seen significant inputs by the Forum on Health and Safety in particular leading to the development of the Respect for People Code of Good Working Health and Safety Practices. The Forum continues to work with key stakeholders for delivery of the targets in the Rethinking Construction and Accelerating Change reports and, to date, these targets are on course for delivery.

This year Michael Dickson stood down as chairman of the new Construction Research and Innovation Panel (nCRISP) and Bob White, Chairman of MACE has stepped in. The role of nCRISP is being reviewed against the emergence of the European Construction Technology Platform (see below) and the need to develop a National Technology Platform to identify and press the UK's own agenda in this area.

The Unit has been pleased to be involved as observers on the Strategic Forum and members of the nCRISP Executive Board.

## **Constructing Excellence**

This year has been the first full year of operation of Constructing Excellence (formed from the merger of various Rethinking Construction and best practice organisations funded largely by DTI). This merger helps to reduce confusion about where firms should go if they want to understand, and to take part, in the industry improvement agenda or, indeed, simply to improve the basic performance of their own firm. Constructing Excellence has achieved a significant profile in the industry (and internationally) over the past year and, with the merger with Collaboration for the Built Environment ("be"), its position in the industry as a "hub" for innovative best practice is developing well.

## **Key Performance Indicators**

The 2003 **key performance indicators** published this year showed that, once again, the demonstration projects met Egan targets for reductions in capital cost, increase in productivity and safety and defects improvements. There is now an acceptance within the industry that project and company performance must be measured, monitored and used to improve performance. The KPIs thus continue to play a valuable role in underpinning the strategic industry improvement agenda.

## **Leveraging funding**

This year has again seen successful increase in the leveraging of increased industry funding and other public sector funding for the industry improvement agenda and for research and development within the construction industry including support for:

- Constructing Excellence
- nCRISP task forces
- collaborative research
- WRAP projects
- Productivity studies

## **HEVACR2005/Think 2010**

HEVACR 2005 is a long-term strategic programme for the heating, ventilation, air-conditioning and refrigeration sector. The programme was supported by the Unit, and is managed by the Federation of Environmental Trade Associations (FETA). CSU was represented on the Programme Steering Group. Ministers and Senior DTI Officials have spoken at a number of promotional events for HEVACR 2005.

The Unit has also actively involved UK Trade and Investment and UK On Line for Business in the programme. As part of the programme's action plan through to 2005, HEVACR 2005 provides the sector with the following support via the programme's six elements namely:

**E-commerce** – development of a comprehensive sector specific advice pack and creation of HEVACR 2005 web site – [www.hevacr2005.org.uk](http://www.hevacr2005.org.uk).

**Skills & Training** – production of a detailed Skills Action Plan for the sector and implementation proposals for Refrigerant Handlers Registration Scheme.

**Research & Development** – provision of a web based R & D Technical Exchange package/ procedure

**Manufacturing Best Practice** – A series of small individual tasks including: establishing key areas for benchmarking; evaluating benefits of pre-fabrication; provision of a web based help facility; promotion of existing award schemes for manufacturers; facilitation of factory visits to disseminate best practice information; raising awareness of informal benchmarking.

**International Trade** – development of an International Trade Strategy; plan & organise an Inward and Outward Trade Mission; establish an electronic version of Frontiers; [www.feta-frontiers.com](http://www.feta-frontiers.com).

**Commercial Issues** – improve statistics collection; evaluate feasibility of National Conference; organise a seminar on trade shows; enhance/ improve the FETA web site – [www.feta.co.uk](http://www.feta.co.uk); introduce a web based buyers guide – [www.fetaproducts.com](http://www.fetaproducts.com).

### **Construction Client Leadership**

All our activities are aimed directly or indirectly at maximising the value to the public purse of investment in the built environment (currently around 40% of industry output) since the productivity of the sector and the quality of its products deliver this outcome within the context of effective procurement. We work closely with the Office of Government Commerce, Office of the Deputy Prime Minister, Construction Clients Group, Constructing Excellence and with individual key clients to identify mechanisms to drive forward improved client performance. This year we were pleased to see the appointment of Tim Byles (Chairman of the Local Government Task Force) to lead on the Procurement Strand from the Gershon Efficiency Review for local authorities.

### ***Common Minimum Standards***

This year we have been engaged with OGC and a wide range of government policy makers to develop Common Minimum Standards for public sector procurers of construction. This document pulls together the range of policy initiatives impacting on procurement so that it is easier for public bodies to understand what Standards they should meet. Publication of the Standards is expected very shortly.

### ***Constructionline***

This year has seen agreement to the role of Constructionline within the e-procurement support mechanisms being developed by the Office of Government Commerce and Small Business Service. This marks a significant drawing together and aligning of a range of key procurement initiatives and has enabled us to negotiate an extension to the contract to August 2008 to enable an upgrade and improvement of the Constructionline service to more closely support the Rethinking Construction principles and the Office of Government Commerce Common Minimum Standards.

### ***Construction Clients Group (CCG)***

As part of our activities on improving client leadership, we have worked closely with the Construction Client Group (CCG) to facilitate its development as the voice for clients and to support its work on the Clients Charter.

### ***Construction Clients Charter***

We have been closely involved in the development of a "starter" clients' charter to signpost one-off clients to key issues and support. This seeks to address the address the issue of how to signpost best practice to the very large number of small and occasional clients of the construction industry.

# Construction Lean Improvement Programme (CLIP)

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A five-year funding programme of £2.5m was agreed in February 2003. Once again we have been working closely with BRE to monitor take up and delivery of the Programme. We expect this year's annual report to show that once again projects within the programme are obtaining 30% improvement in efficiency in line with the findings of the pilot programme. The programme provides a key mechanism to inform the industry about integrated team working and reduction in waste with benefits to the bottom line, to sustainability and to health and safety.

## Offsite Manufacturing

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Offsite construction is poised to make significant contributions to the renewal of the built environment, particularly in the areas of housing, hospitals and schools. There is also increased interest in this innovative technology in the retail and commercial sectors.

### **Buildoffsite**

In response to the changing needs of the industry sector and its clients, this year saw the further development of the 'Prospa' programme into an industry-focused forum known as 'Buildoffsite'. Administered by CIRIA and led by Richard Ogden (formally President for Construction, at McDonalds) (assuming the burger chain) together with a board of senior industry figures, Buildoffsite will become the focal point of the construction industry and its clients for offsite manufacturing. The initiative is supported by a significant number of key organisations including BAA, Arup, N G Bailey, Terrapin and Costain. Buildoffsite is 50% supported by DTI and will be officially launched in June at the DTI-sponsored, OFFSITE2005 seminar and exhibition programme to be held at BRE.

### **Healthcare Project**

DTI's 2003 'Innovation Report' highlighted that the public sector could do more to 'pull-through' innovation to significantly improve the design, delivery and functionality of public buildings. During this year we have worked closely with the Department of Health and NHS Estates to identify ways to incorporate innovative processes and technology into the procurement, construction and operation of healthcare facilities. This project commenced in October 2004 with a workshop involving over 100 key healthcare and construction industry stakeholders to identify the facilitators and barriers to the take-up of innovation and to help shape priorities for future action. Building on the outcomes of the workshop, we are working closely with Department of Health and Partnerships for Health to develop a demonstration project programme based on the LIFT programme for primary healthcare.

Complementing our activity to promote innovation in the health sector, we are supporting the collaboration of 4 leading Universities to develop proposals for a major EPSRC-funded programme to establish an Innovative Manufacturing Research Centre for the health and care sector. These proposals are currently being evaluated by EPSRC and international peer review.

## Government reviews

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This year has seen a number of reviews and implementation of recommendations from earlier reviews.

- **Kelly Review** of impact of public sector procurement on capacity and competition – in line with the messages from the Unit’s work on integrated team working, this review recognised the benefits of bundling projects (improved performance through learning, investment in training and skills due to ongoing work plans) as well indicating the need to manage competition appropriately. The review also highlighted issues which the Unit has been raising with OGC, ODPM and government clients on the need for the public sector to programme its work to enable the industry to invest as appropriate, and to avoid the industry being encouraged to over-expand or, alternatively, to agree to take on work it cannot deliver and then to deliver at poor standard (defects, costs and delays). The review was published on 17 May and follow-up work handed over to the Smarter Construction Unit at OGC with whom we continue to have a close working relationship.
- **Barker review of the Supply of Housing** – The Unit is engaged on a number of groups linked to implementation of the Barker Review and Sustainable Communities to ensure that business competitiveness and market failure issues are taken into account in looking at mechanisms to deliver the policy imperatives. We are working with ODPM on a number of projects relating to Modern Methods of Construction and the relationship between housing supply and affordability, and the environmental, social, and economic impacts of various levels of house building.
- **Cabinet Office Better Regulation Task Force review of construction** – this review is now complete. The key action going forward is the review of the Construction Act which is covered elsewhere in this report.
- **National Audit Office report “Improving Public Services through better construction”** – the report was published in March and reinforces the importance of the Rethinking Construction improvement agenda. It highlights that good progress has been made by public sector clients but identifies the need for much more progress, particularly with occasional clients. The report fully supports the agenda being followed by the Unit and embraced in the Office of Government Commerce’s Common Minimum Standards.

# Engineering construction

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We continue to maintain links with the sector and brokered contacts between the sector and the Strategic Forum for Construction.

## Regulatory Issues

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We work closely with colleagues across DTI, in other government departments and in Brussels to improve the quality of evidence-based policy making. This year has been the first year of operation of CIPER – the Construction Industry Policy and European Regulation group. The group is made up of umbrella trade associations and government regulatory departments with membership shifting as appropriate to the issues under discussion. The group feeds back to the Strategic Forum for Construction. Discussions have considered a variety of environmental and health and safety legislation. Minutes of the group are on the DTI website.

This year the Unit has tackled a very wide range of regulatory issues, helping the industry to address the underlying policy needs and to put together evidence to develop understanding of the impacts of proposals on the industry. These issues have included:

- *Development of National Allocation Plan for the UK Emissions Trading Scheme* – setting up liaison with high energy use construction products sectors and feeding in their concerns. This has resulted in a substantial improvement on original allocations and a fairer allocation system better recognising the differences within sectors and sub-sectors.
- *Definition of waste* – the Unit has been feeding industry issues in to DEFRA and the Department's Better Regulation Unit. The European Commission has recently identified the EU Waste Framework Directive as one of the priority issues requiring review for simplification in the near future, and the Unit will be playing its role in feeding in industry needs.
- *Fluorinated Gases Directive* – The Environment Council's meeting in October 2004 agreed rules on limiting emissions and uses of fluorinated greenhouse gases (f-gases) in Luxembourg. Instead of the single f-gases regulation proposed by the European Commission, Ministers backed the creation of two laws: a directive on phasing out HFCs from mobile air conditioning (MAC) systems and a separate regulation on f-gases in other applications (ED 07/10/04). The Commission will review f-gas bans in the stationary sources regulations after four years. In addition, there will be a reassessment, again after four years, of the suitability of the GWP threshold of 150 in both pieces of legislation. If the threshold was lowered in future then more f-gases could become subject to controls.
- *EU Services Directive* – we have set in train through CIPER a cross-industry workshop to look at the implications of the Directive for this sector and to identify negotiating points and existing mechanisms to the likely obligations of the Directive.

- *Control of Chromium 6 in Cement* – The Unit was successful in promoting industry concerns to the Health and Safety Executive and to the European Commission to ensure that protections were proportionate to the risk.
- *Construction Industry Scheme review* – this review has been led by Inland Revenue (now HM Revenue and Customs) with the Unit ensuring that key industry players are involved in policy development. The Unit is currently holding a watching brief.
- *Minerals Planning* – the Unit has represented the sector's views and influenced the publication of MPS1 and its annexes.
- *Extractive Industries Waste Directive* – the Unit has represented industry views, in particular on maintaining a flexible approach to insuring liabilities and seeking reasonable monitoring measures.
- *EU Fluorinated Gas Directive and Regulations* – we have represented industry views and successfully challenging both incorrect underpinning data and unintended consequence in poor definitions.
- *Insurance* – we have worked closely with the Strategic Forum and others to consider the scope for adopting Project Insurance in the industry. This also touched on broader legislative issues on which the Unit was engaged with industry and other Government Departments.

### **Review of the Construction Act – Improving Payment Practices in the Construction Industry**

Construction Sector Unit took forward the review of Part II of the Housing Grants Construction and Regeneration Act 1996. Following the announcement of the review in the 2004 Budget, Nigel Griffiths' appointed Sir Michael Latham to chair an industry review group, with CSU officials providing the secretariat. The Review recommendations were published on 17 September and a DTI consultation paper *Improving Payment Practices in the Construction Industry* followed on 21 March. The consultation considers the issues raised by the review and potential costs and benefits of proposals to address them. The proposals are aimed at improving the ability of parties to a construction contract to:

- reach agreement on what should be paid and when given the work done under the contract or, where they cannot agree, to make an informed referral to, or response at, adjudication;
- manage cash flow and enable completion of work on the project in the event of problems such as defaulted payments, disputes or insolvencies elsewhere in the supply chain; and
- refer disputes to adjudication without disincentives such as avoidance, frustration or unnecessary challenge.

The deadline for consultation responses is 21 June.

# Building Regulations

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Construction Sector Unit has worked with the Office of the Deputy Prime Minister to develop suitable consultation mechanisms to consider changes to the Building Regulations. We have also worked with ODPM to resolve of boiler exception criteria within Part L.

## Analysis

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Policy formulation requires a solid evidence base. CSU and IES have made considerable efforts to improve understanding of the construction industry's performance. This year's analysis centred on two themes: productivity and procurement.

### **Productivity research agenda**

Increasing prosperity for all by raising productivity is at the heart of the Department's agenda. CSU and IES undertook and commissioned research that aimed at measuring the construction sector's productivity performance, identifying drivers and devising policies to improve productivity.

- Two reports commissioned to investigate the relative position – in terms of labour productivity and total factor productivity – of the UK construction industry compared to the construction industries of France, Germany and the USA. One of the reports also compares the productivity of the UK construction industry with the UK's vehicle production and repair industry. The reports are available on the internet at <http://www.DTI.gov.uk/construction/stats/productivity.htm>.
- The Construction Products Association (CPA) and DTI jointly commissioned the Advanced Institute of Management Research (AIM) to measure the productivity performance of the construction products industry. This initiative makes use of a new dataset, which is partly sponsored and promoted by DTI and enables the analysis and benchmarking of productivity at firm level.
- CSU and IES also made substantial contributions to closely related work on the sector's international competitiveness by European Commission and the University of Reading.

### **Procurement research agenda**

With the Gershon Review and the study of construction as the first "Kelly Market" highlighting the need to improve public sector procurement, procurement became another focus of analysis this year.

- A paper outlining options for analysing the market response to different levels of public sector construction demand was presented to OGC, HM Treasury and CITB-ConstructionSkills. Some of the recommendations were taken up and will help improve the understanding of the industry's capacity constraints.
- A study to assess PFI transaction costs for education projects is being undertaken. It aims at identifying the magnitude of PFI transaction costs for the

public and private sector, the determinants of these costs, and 'best procurement practice'. 48 local authorities were surveyed and results are currently being analysed.

- Data taken from the KPI client survey was used to analyse relationships between two key construction performance measures of time and cost certainty and a) the type of client, b) the type of project, c) the procurement route and d) the contractor selection method. The results have been shared with OGC and OFT and will be published in summer 2005.

## Placing empowered and protected consumers at the heart of an effective competition regime

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### TrustMark (formerly Quality Mark) for builders in the domestic repair maintenance and improvement sector

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This year has seen a fundamental review of the Quality Mark Scheme resulting in a very significant shift in approach. We have worked with trade associations and other industry bodies, consumer organisations and ODPM to develop a set of government endorsed competence and consumer protection standards known as TrustMark. Trade associations and other bodies can align their existing membership criteria to, or develop self-standing schemes that meet, these standards. An independent Board and secretariat approves these membership schemes and enables scheme members to use the TrustMark brand. Around 23 organisations are committed to taking part so far, delivering around 14,000 firms by April 2006.

# Improve the environment and sustainable use of natural resources

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## Better Buildings Summit/Code for Sustainable Buildings

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In October 2003, the DTI organised the Better Buildings Summit which provided the forum for a combined announcement by Patricia Hewitt, Margaret Beckett and the Deputy Prime Minister, of the formation of the Sustainable Buildings Task Group. The main recommendation from that Group was that a Code for Sustainable Buildings be developed. This recommendation was accepted by Government in July 2004. The Code is expected to set standards for construction in both the public and private sectors, which are higher than current building regulations, and which should contribute significantly to the UK's efforts to reduce emissions of greenhouse gases.

## Site Waste Management Plans

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CSU led development of site waste management guidance for contractors and clients which was launched in July 2004. These plans have provided an alternative to the option of legislation to govern construction site waste management.

## Sustainability Forum

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The Sustainability Forum has increased its activities, with development of guides, and sponsorship of a series of breakfast seminars with leading industry figures, in order to promote the business case for sustainability. A strategy for sustainability skills for three of the Sector Skills Councils which have closest links with the construction and built environment industries, was produced under the aegis of the Forum. The Forum has also developed material to publicize the detrimental effect of global warming, and has considered lessons to be learnt from overseas developments. In March 2005, the construction minister hosted a Sustainability Forum reception for representatives of the construction industry.

## OECD

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CSU was the chapter lead (construction) for the 2005 response to 2002 OECD report on UK's environmental performance.

## Envirowise

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In 2004 construction waste was made a priority within the Envirowise programme. The Unit has worked closely with Envirowise in the formulation and implementation of its action plans, including the running joint events with Constructing Excellence.

## Sectoral Strategies

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Strategies for various sectors relevant to construction have been developed this year including one by the Quarry Products Association whilst other sectors (e.g. the steel construction sector and the cement & concrete sectors) have produced annual reports, which allow their performance against previously developed sustainability strategies to be tracked.

# Promoting World-class Science and Innovation

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## Research and Innovation

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The Innovative capacity of an industry influences its long term competitiveness and effectiveness. Research and Development is an important driver of innovation. It is widely recognised that the construction industry must improve its performance and this represents a significant challenge to the entire construction community, its processes and technologies, as well as to its clients and customers who must demand buildings whose economics are considered on a whole life basis. Research & Innovation has a major role to play here but it needs to be carefully focused on those key activities in which the industry will invest out of enlightened self-interest or to respond to the demands of clients and Government policy. To provide this pan-industry strategic priority setting, nCRISP, under its new Chairman Bob White of MACE, has been developing a future structure linked to the existing UK improvement organisations and at the centre of any new UK Technology Platform for construction (see below).

## Partners in Innovation

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We are continuing to manage the exit from the former construction research programme, Partners in Innovation (PII). Around 60 projects came to a close in 2004-05 including projects clearly linked to current DTI drivers such as the BRE-led project examining the Better Exploitation of Materials research – which engaged successfully with the DTI Materials Group, and a project led by Black Country Housing looking at the introduction of Fuel Cell Applications in social housing.

Around 110 projects remain in the portfolio, the vast majority of which are now entering their final stages. DTI expenditure on PII will be around £3m in 2005-06 and £1m in 2006-07. The final projects are due to end in mid 2006. These include the two major Programmes of activity – AVANTI, which aims to promote ICT Enabled Collaborative Working, and Buildoffsite – which aims to promote the uptake of off-site “manufactured” building techniques.

Construction achieved some early successes under the April Technology Programme competition including funding for major projects being undertaken by TRADA (composite Permeable Formwork Panels), Corus (New Cladding solutions) and AEA Technology (Advanced Composite Life Assessment and Integrity Management). There was a strong Construction/ Modern Built Environment aspect to the November call and we are hopeful of further successful bids by the sector.

## Technology Strategy for the Modern Built Environment

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We have developed, in collaboration with nCRISP and public sector research funders, a Technology Strategy for the Modern Built Environment. The purpose of this Strategy is to advise the DTI Technology Strategy Board (TSB) on key issues for construction and the wider Modern Built Environment and how competitions under the new products could be developed over the medium term. As a result of this Strategy, a number of built environment themes have been included in DTI calls for research projects. For example, the Strategy, which is intended to be a living document, has been influential in the latest call under the Collaborative Research and Development competition and we are hopeful it will influence a future competition for Knowledge Transfer Networks.

# European Construction Technology Platform/National Technology Platform

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The European Union has established 22 pan-European Technology Platforms representing all the main industry sectors and currently sharing the EU Framework budget of £14 billion for research. Although some EU member countries do have National Construction Platforms the UK construction industry has not been previously represented. We have engaged Roger Blundell, former Director of Construction at Taylor Woodrow, to work with industry and with Bob White of nCRISP create a UK Platform able to act as a single voice for construction establishing the future research and innovation agenda and engaging effectively with the EU. The Platform will also seek to influence the regulatory environment, define future training and resource needs for the sector, support innovative procurement methods, support the adoption of best practice and benchmark industry improvements.

## ERABUILD

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Over the last year we have continued to engage with the EU-sponsored ERABUILD initiative. Led by Tekes – the National Technology Agency of Finland, ERABUILD aims to develop strategic cooperation between national programmes promoting the sustainable construction and operation of buildings.

# Strengthening Regional Economies

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## Regional involvement

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We are building up closer links with SEEDA as the lead Regional Development Agency (RDA) for construction, and with the RDAs in general seeking to build understanding of the Rethinking Construction agenda, regional initiatives on procurement, innovation, regeneration, sustainability and skills for example where we can drive delivery of the strategic national and regional agendas. This year has seen identification of best practice within RDAs on procurement and sustainability. We are looking to build on this with the RDAs to identify key priorities where we can work together to take forward improvement to industry performance and the quality of the built environment. We are including RDAs in our work on regulation as members of CIPER and on innovation including engagement of RDAs and central government stakeholders in work on Modern Methods of Construction.

# Maximising Potential in the Workplace

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## Respect for People and safety

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Under the aegis of the Strategic Forum for Construction, the Unit contributed to the development of the Respect for People Code of Good Working Health and Safety Practices. The Code was launched formally at the successful Health and Safety Summit in February 2005. We were engaged on the Steering Group for the event together with Constructing Excellence, the Strategic Forum, and the Health and Safety Executive and organised the Minister for Construction involvement. Another key health and safety-related project, launched in October 2004, was the HSE-led Occupational Health pilot. The Unit is one of the project partners, providing seed-corn funding. The Unit has also continued to work with Constructing Excellence to spread the Respect for People message, using the Toolkit and Benchmarking material developed.

The low proportion of women and those from Black and Minority Ethnic (BME) groups in construction remains a significant issue and is covered in the Unit's work programme. We have supported financially a major piece of research in this area commissioned by CITB-ConstructionSkills, along with the Women and Equality Unit and the Office of Science and Technology Women in Science Engineering and Technology unit at DTI. The findings will provide useful data to help inform strategic planning and proposed interventions.

## Skills, training and the Sector Skills Councils

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We work closely with the main Sector Skills Councils for our sectors; ConstructionSkills and SummitSkills, to help ensure their success. We are particularly grateful for the opportunity to attend ConstructionSkills Council (and CITB-ConstructionSkills main Board) meetings. For ConstructionSkills, a major task has been the development of a Sector Skills Agreement, and we have been working with them to draw up a plan for future partnership. This has yet to be finalised. Another piece of work has concerned the establishment of a Skills and Productivity Observatory. Although CITB-ConstructionSkills is taking the lead, CSU (with IES) have been actively supporting them and have participated in their preliminary development meetings. This will be a major feature of the developing Sector Skills Agreement.

We were also pleased to host a successful meeting of the SummitSkills Plumbing Interest Group in March 2005. We have welcomed the development of closer links with SummitSkills as a key Sector Skills Council, and other stakeholder

organisations in their sector, and the event provided opportunity to learn more about concerns, and contribute to deliberations about skills/training needs.

Good progress was made during the year on the CITB-ConstructionSkills project to develop a Sustainability Skills Matrix, and CSU participated on the working group set up by CITB-ConstructionSkills.

2004 again saw a successful National Construction Week and as in previous years, CSU was pleased to participate in the CITB-ConstructionSkills Steering committee.

## Migrant Workers and other employment aspects

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Arising from the work of the Home Office Illegal Working Stakeholder Group, CSU worked with Home Office officials and construction industry representatives to produce guidance material for construction contractors. The aim of this guidance material is to combat engagement by construction firms of workers from overseas who are not entitled to work in the UK. Around 30 thousand copies have been distributed so far with the co-operation of the trade bodies – the Construction Confederation, the National Specialist Contractors Council, the Federation of Master Builders, and the National Federation of Demolition Contractors.

The Unit supported colleagues in Employment Relations Directorate on a number of fronts in connection with issues impacting on construction. Our role has typically been to ensure that industry aspects have been understood, and to facilitate engagement with industry representatives.

## Developments within the CSU and IES

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### **Staff**

This year has seen ongoing restructuring in line with DTI's response to the Spending Review and Gershon Review. We have also seen a number of staff leave on promotion and welcomed the arrival of new members and industry secondees.

## “Weeks in Industry”

This year a number of staff from the Unit have undertaken weeks in industry to build understanding of the real issues facing the industry. These have included weeks with:

- Construction Innovation organisation in Brisbane, Australia including presentations to an international conference on clients pulling through innovation and to Australian public sector clients
- Momenta, part of AEA Technology plc, on project work directed at Building Regulations
- the PFI division of Bilfinger & Berger in Wiesbaden, Germany
- the CITB-ConstructionSkills – accompanying regional Training Advisors on their visits to local construction contractors and attending their Regional Advisory Committee and other meetings to obtain first-hand experience of some of the skills/training issues faced by construction contractors.
- Contractors and training providers in Calgary, Canada including presentation to a conference on UK approach to tackling skills and training needs in construction.

## Feedback

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We welcome feedback on our performance and comments on what we have done well – and what difference this has made both to industry and development of effective policy – and what we can improve on. Any comment on the Unit’s activities should be sent to:

Balwinder Dhoot  
Bay 282  
151 Buckingham Palace Road  
London  
SW1W 9SS

# Forward Look

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## **Key Priorities for 2005/06**

The forthcoming year will again be very busy. Priorities subject to changes arising from the General Election will focus around the following areas:

- Continue to develop relationship with the Strategic Forum for Construction to drive the industry improvement agenda.
- Procurement and Client Behaviour – publication of the Common Minimum Standards; development of a project assessment tool, reinvigorated Constructing Excellence demonstrations programme, ongoing work with the Office of Government Commerce, the Construction Clients Group and major clients.
- TrustMark – launch of the first TrustMark Schemes.
- Completion of consultation on *Improving Payment in the Construction Industry* and development of draft legislative proposals.
- Addressing skills and training issues with the Sector Skills Councils, and other bodies.
- Regulatory Reform – once again we are expecting a challenging workload including ongoing development of CIPER; ongoing liaison with ODPM on Building Regulations; joint sponsoring of production of an installers' information pack for the Heating & Hotwater Information Council; ongoing development of EU Emissions Trading Scheme for phases 2 and 3 and implementing the Linking Directive, review of the Construction Design Management Regulations, construction product implications for the implementation of the General Products Safety Directive, EU review of the Construction Products Directive, Development of the Waste Electrical and Electronic Equipment Directive.
- Sustainability – completion of the Code for Sustainable Buildings; potential development of an overarching strategy for Sustainable Construction; development of the European Commission's Urban Environment Thematic Strategy.
- Sustainability Forum – A series of 'Carbon Breakfast Seminars' for senior industrialists; completion of a 'Carbon Index' for buildings; launch & implementation of a 'Skills Matrix' for relevant Sector Skills Councils; publication of a 'Designing for Waste Minimisation Guide' and potential development of a 'Procurement best practice' guide.
- Housing Supply and Quality – Working closely with the ODPM and other organisations including the Housing Forum, HBF's Barker Recommendation 33 Committee, BRE and Buildoffsite to promote the business case for the increased use of modern methods of construction. To support the development of LPS 2020 to provide comprehensive certification for offsite housing products to improve the confidence in performance and durability of these products. In collaboration

with ODPM and industry explore the possibility of redefining the definition of Modern Methods of Construction (MMC) based on performance measurement.

- Working with industry stakeholders to improve the 'pull through' of innovation to the construction of healthcare facilities. – To take forward proposals for the establishment of a demonstration project programme to support continuous improvement through the LIFT programme.
- Industry innovation – development of the National Technology Platform and possible development of a knowledge transfer network.

June 2005





