



Turner & Townsend

Adapting to disruption

Spring 2021

making the **difference**

Introduction

There's no doubt that the past year has been one of unprecedented change and uncertainty, bringing extraordinary challenges to society and the construction industry.

But while the UK navigates the roadmap out of lockdown, the construction market disruption won't end here. Both Brexit and the COVID-19 pandemic will cast long shadows, and few will be immune from the abiding market conditions.

The resulting commercial challenges will persist well beyond 2021 and construction will need to embrace further adaption with a shift in the way we procure goods, works and services.





Market challenges





Market challenges

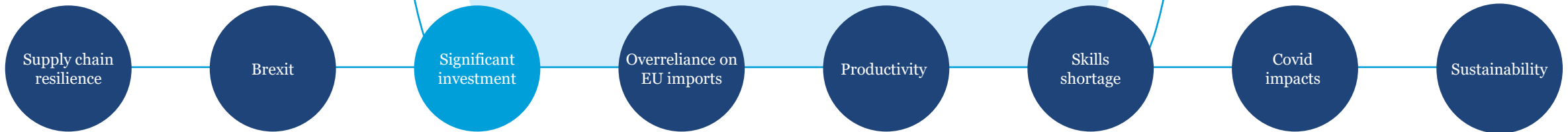




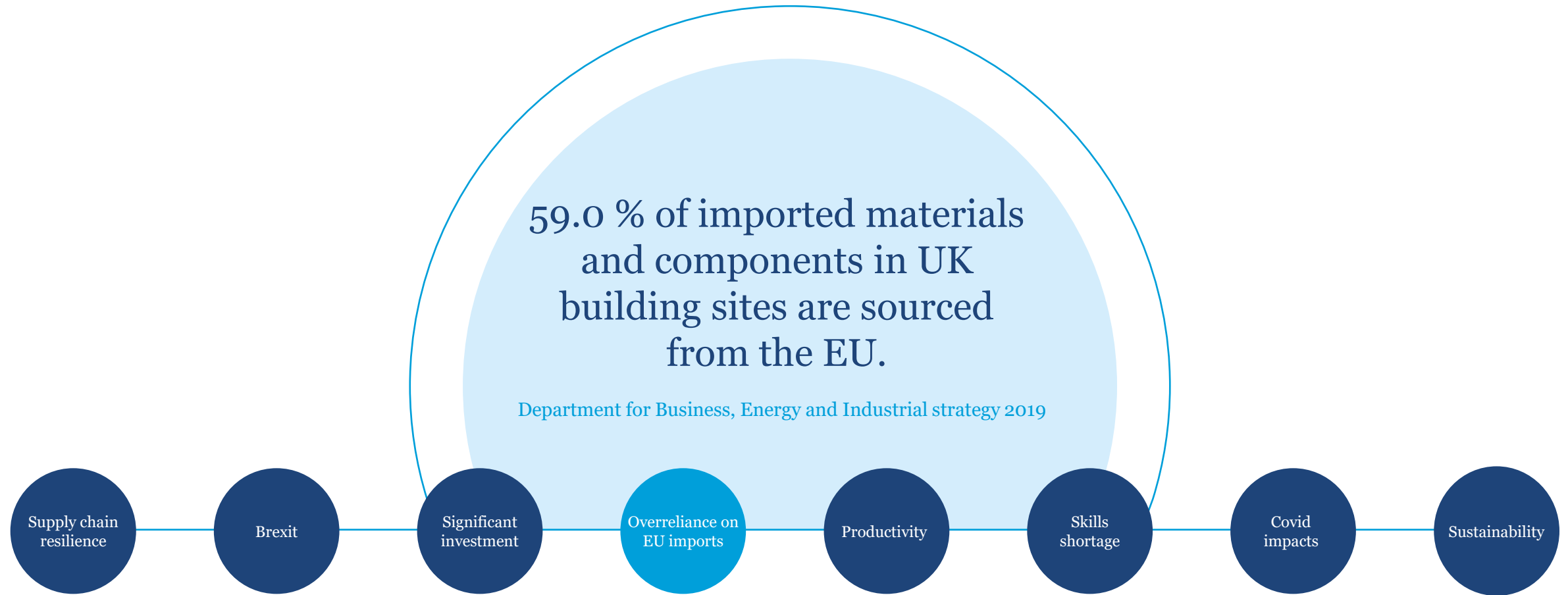
Market challenges

National Home Building Fund
of £7.1bn over the next four
years, a £4bn levelling up fund,
and £12bn towards a Green
Industrial Revolution.

2020 Spending Review



Market challenges

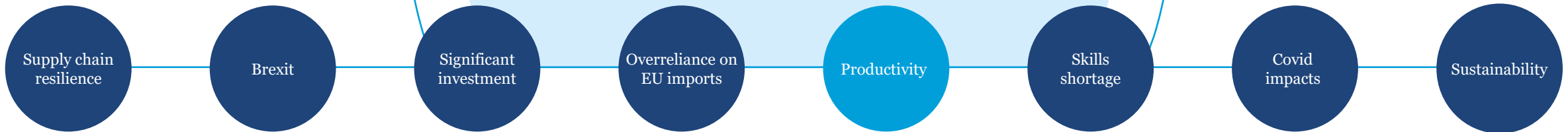




Market challenges

The level of construction output is now down 38.8% on February 2020 before the impact of the coronavirus (COVID-19) pandemic.

ONS Construction output in Great Britain 2020





Market challenges

There is a 175% increase
in construction sector
labour vacancies.

Turner & Townsend UK Market Intelligence Autumn 2020

Supply chain
resilience

Brexit

Significant
investment

Overreliance on
EU imports

Productivity

Skills
shortage

Covid
impacts

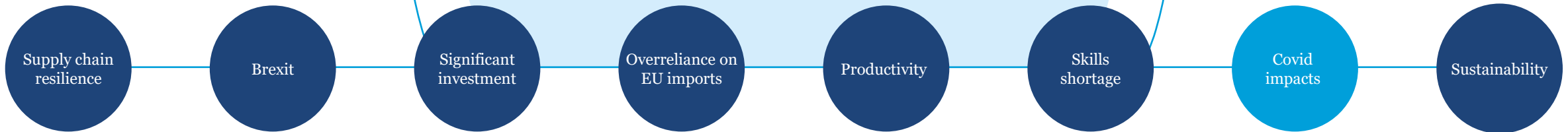
Sustainability



Market challenges

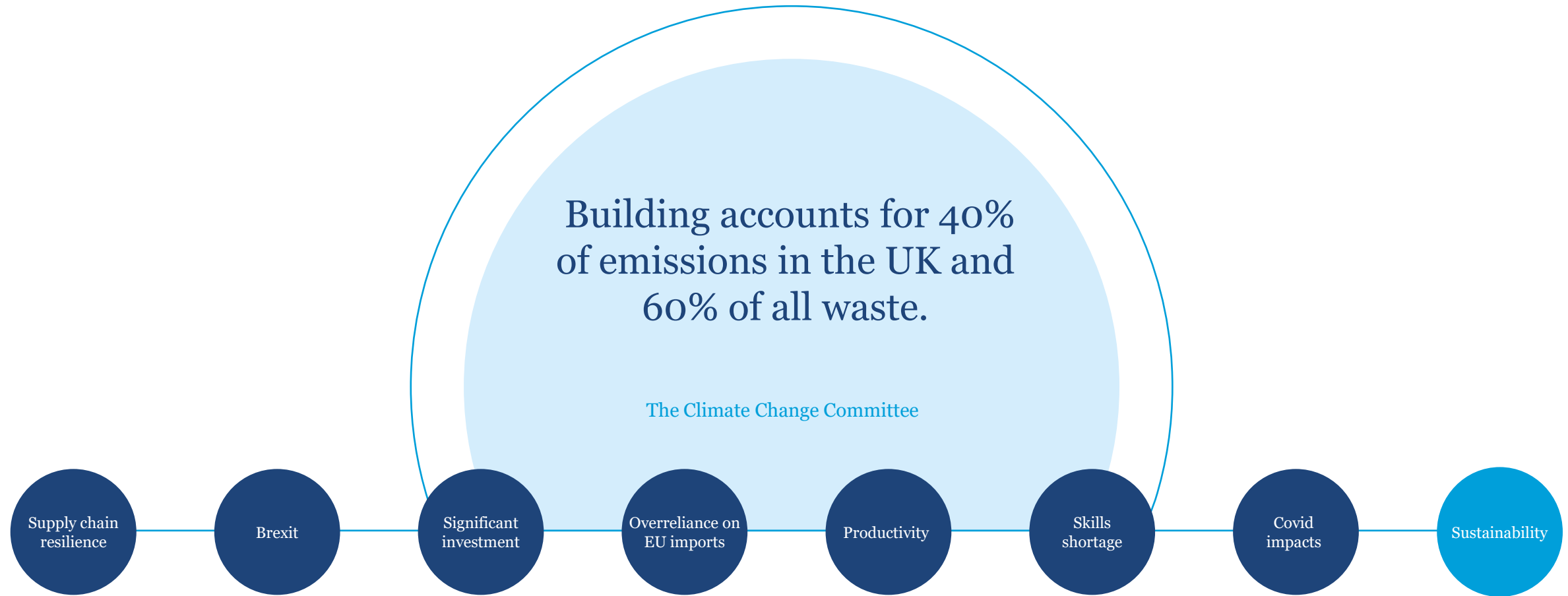
It is vital that businesses take action to mitigate the immediate impacts of the complex and fast changing environment, which is beyond routine business continuity considerations.

Turner & Townsend UK Market Intelligence Spring 2020





Market challenges

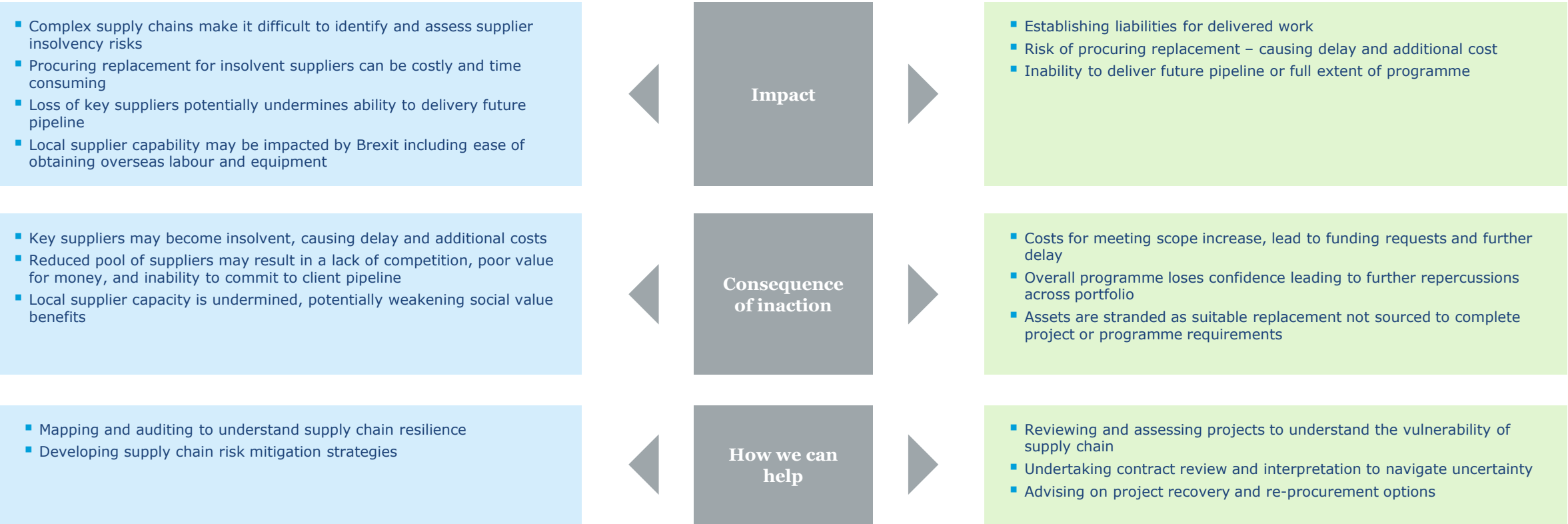




Client risk: Critical supplier breakdown

Pre-contract

Post-contract

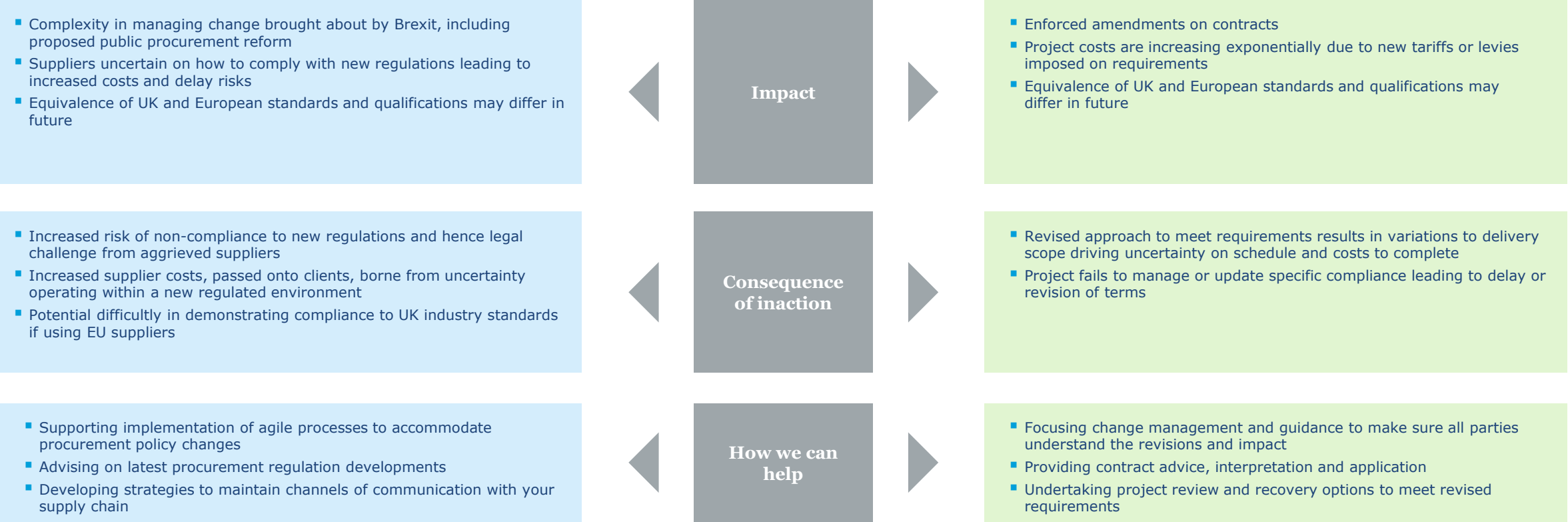




Client risk: Failure to align to revised regulations or contracts

Pre-contract

Post-contract

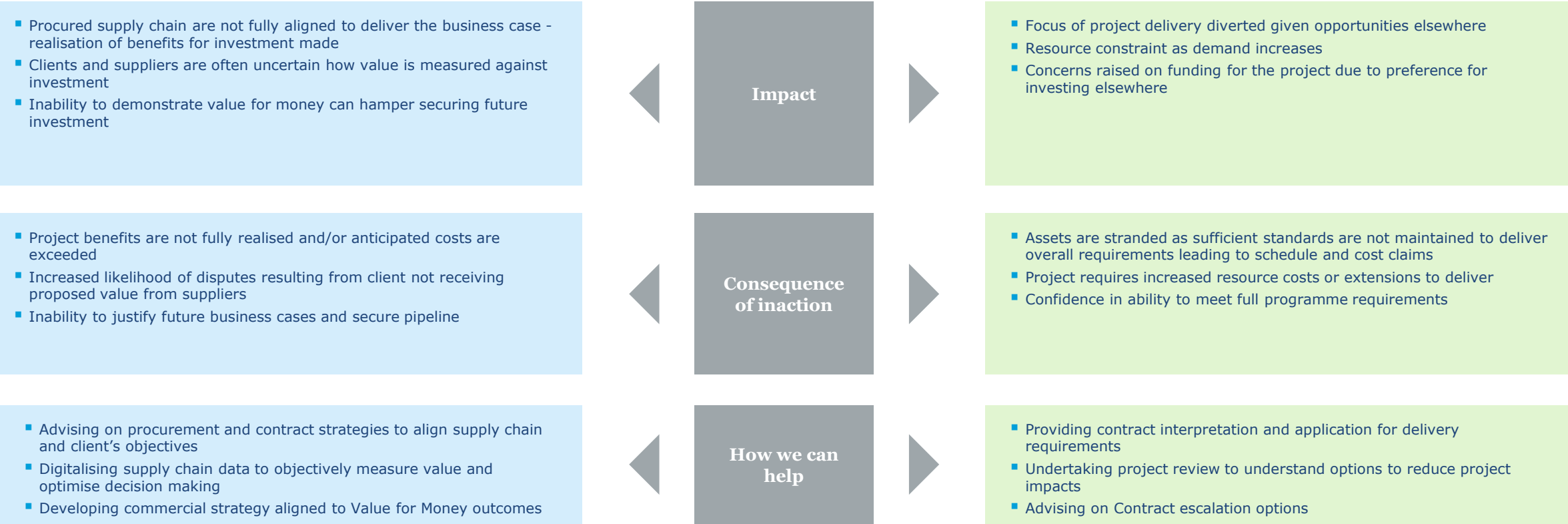




Client risk: Greater scrutiny on achieving value for money

Pre-contract

Post-contract

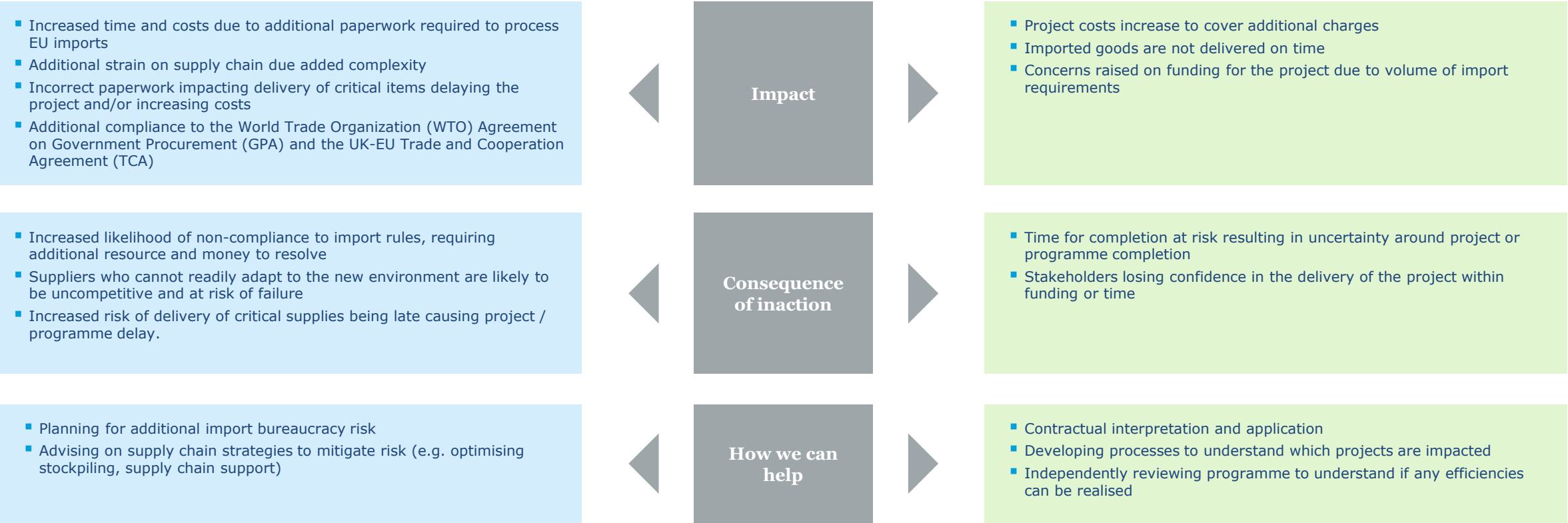




Client risk: Exposure to additional costs and delay from imports

Pre-contract

Post-contract





Client risk: Poor delivery performance

Pre-contract

- Unfavourable prices and delivery timescales against comparable projects worldwide
- Misaligned incentives between clients and suppliers to drive productivity
- Slow adoption of new technologies and innovation to increase productivity

- Continued poor productivity and value for money against comparable projects worldwide
- Poor performance and adversarial behaviors from suppliers due to differing views on incentives and priorities
- Continued high levels of client resource and time to manage supply chain productivity and performance

- Providing support to align intended outcomes to commercials, incentives and contracts
- Integrating technology and procurement to enhance supplier productivity

Impact

Consequence of inaction

How we can help

Post-contract

- Expectations of delivery requirements not realised
- Concerns raised on likelihood of meeting milestones
- Poor records or monitoring of progress not diligently maintained

- Lack of understanding creates opportunity for unsubstantiated claim to be generated
- Disruption to the project leads to extensions in time / increase in costs
- Sets a precedent in reputation around ability to deliver

- Conducting a forensic review of programmes and plans to understand root cause of delay and/or disruption
- Recommending project recovery options
- Advising on claims escalation and/or resolution

Market challenges

Supply chain resilience

Brexit

Significant investment

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Productivity

Skills shortage

Covid impacts

Sustainability

Client risk: Inability to meet delivery requirements due to increased competition



Pre-contract

- Unable to secure requisite skills and resources to deliver
- Increased costs and reduced quality due to limited amount of supply and lack of competition
- Potential delays if not a priority for supplier to provide skills and resources

- Inability to deliver requirements without the right resources and skills
- Lack of competition will push up prices putting additional pressure on budgets
- Suppliers may be increasingly selective of their work, creating additional risk of non-commitment and delay

- Supporting on procurement with social value considerations including investment in people and the supply chain
- Assessing supply chain resilience and optimisation
- Developing an appropriate procurement strategy including early sourcing and identifying risk mitigation options (e.g. re-design)

Impact

Consequence of inaction

How we can help

Post-contract

- Ability to deliver projects or programme compromised due to lack of available resource.
- Project costs increasing exponentially due to new tariffs or levies imposed on requirements

- Risk of resource cost increases, leading to overall cost increases
- Time for completion changes, leading to doubts around the overall project or programme
- Continuity of supply chain in delivery leading to abortive work, poor delivery and programme / cost implications

- Providing an independent review of project or programme to identify overall impact or mitigation options
- Advising on contractual interpretation and application

Market challenges

Supply chain resilience

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Covid impacts

Sustainability



Client risk: Complexity of COVID impacts destabilising projects

Pre-contract

- Insufficient contract controls to manage COVID impacts leading to additional costs, potential disputes, and supplier failure
 - Delay due to slower delivery from reduced resources allowed on site
-
- Increased likelihood of COVID related disputes
 - Suppliers unable to deal with COVID impacts leading to insolvency and a reduced supplier base for clients
 - Contract performance adversely effected by COVID related rules (e.g. social distancing, workforce self-isolation)
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- Supporting COVID risk allocation to the most appropriate party in the contract
 - Testing and auditing scenarios and existing contracts to understand impact of COVID



Impact



Consequence of inaction



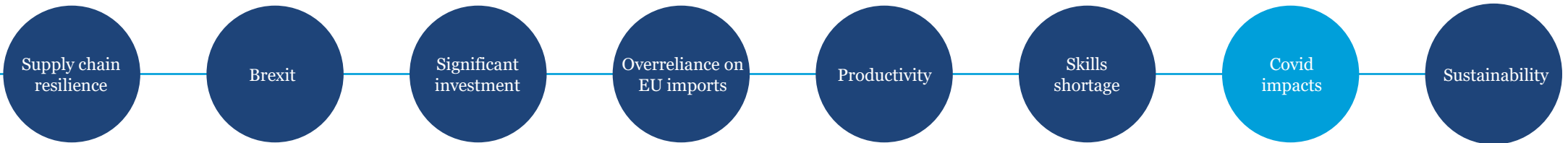
How we can help



Post-contract

- Delay and disruption on delivery requirements to comply with legislation
 - COVID relied upon to mask historic schedule and cost overrun issues
 - Supplier failure due to increased COVID costs
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- Poor schedule and cost understanding provides opportunity to mask historic project issues
 - Cost and time increases/claims on project to meet delivery requirements, bringing into question ability to deliver
-
- Providing contract interpretation and application
 - Reviewing schedule and cost to understand prior baseline position
 - Identifying the prevailing issues to understanding likely impacts
 - Quantifying and assessing cost increases and/or claims
 - Advising on project recovery options

Market challenges





Client risk: Failure to meet sustainability targets

Pre-contract

- Compliance with net zero 2050 target legislation will require industry change and buy-in
- Potential fines for non-compliance may affect clients' and suppliers' finances
- Failure to demonstrate working towards compliance may lead to reputational damage

- Increased non-compliance to sustainability legislation and risk of legal challenge
- Potential payment of fines and damages for non-compliance
- Reputational damage may affect public and shareholders confidence

- Supporting sustainable procurement to meet net zero 2050 targets – through development of sustainable procurement and supply chain strategies

Impact

Consequence of inaction

How we can help

Post-contract

- Developments in meeting sustainability requirements leads to complex / untested delivery options
- Increased project complexity leading to increased contractual uncertainty
- Unfamiliar measures and milestones incorporated into the delivery

- Revised approach to meet requirements resulting in variations to delivery scope
- Stakeholders lose confidence in project or programme meeting the desired targets
- Project fails to meet desired / statutory requirements

- Undertaking contract review and testing with the relevant parties, to create a common understanding and delivery requirements
- Providing independent project reviews to give live appraisal of progress and forward look of delivery likelihood

Market challenges

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Why us?

We have a deep understanding of the challenges that COVID-19 and Brexit have brought to the industry, underpinned by:

A dedicated team of experts supporting our clients with live issues

On-demand recordings and webinars with industry experts

Our dedicated Contract Services Help Desk

Regular knowledge shares

Thought leadership articles

Seeking direct feedback from clients and contractors as to their key challenges over the last year



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A dedicated team of experts supporting our clients with live issues, offering:

- Capability and capacity challenges
- Assessment of Supplier Relief applications
- Assessment of PPN20/2020 costs
- Contractual interpretation and application
- Forensic analysis of extension of time / disruption claims
- Assessment of prolongation and disruption costs
- Advice on claim strategies
- Knowledge sharing across sectors
- Reporting to senior stakeholders

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On-demand recordings and webinars with industry experts

- Top contract questions from clients during COVID-19
- Procurement resilience in a post-Covid world
- Procuring in uncertainty
- The Reality of Brexit hosted by CIOB
- Brexit & Beyond: Complexity & Transparency hosted by Jaggaer

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Our dedicated Contract Services Help Desk

- Received and responded to over 600 industry queries
- Enabling trends in markets/sectors to be identified and database of Frequently Asked Questions
- cshelpdesk@turntown.com

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- Responded to the Cabinet office Consultation on the Green Paper: Transforming Public Procurement
- Developing the IPA Routemap
- Supported with drafting of the Construction Playbook
- Our CEO sits on the CLC
- Our UK Infrastructure lead sits on Constructing Excellence
- 2 of our Directors are members of the Project 13 Panel



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Thought leadership articles

- [Beyond Brexit – the construction supply chain is crucial in a post-Brexit environment](#)
- [Collaboration is key to solving supply chain fragility](#)
- [NEC: navigating compensation events](#)
- [Impact of Brexit on Public Procurement Regulations](#)
- [Contractual Mechanisms for closing construction sites](#)
- [Sustaining the construction supply chain - Protecting skills and promoting growth through the Covid-19 pandemic](#)
- [What is Force Majeure?](#)
- [Frequently Asked Questions to our Helpdesk](#)

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Seeking direct feedback from clients and contractors as to their key challenges over the last year

- Covid survey – with over 90 construction clients responding we asked the market what were the impacts of COVID-19 on contracts. Revealing:
 - One in three believed their contracts were not fit to address the effects of notifiable COVID-19 events, with Employers bearing responsibility for additional costs and time delays.
 - Liability arising from COVID-19 events was also believed to be held by the Employer rather than the Contractor.
 - 45% of those surveyed reported an increase in contractual disputes since the start of the pandemic, as contractors seek to recover productivity losses.

Contact our team

Should you require assistance then please contact our team.

We have a dedicated UK Contract Services Team that specialises in helping clients to tackle complex pre-contract procurement and contentious matters. Our service offering includes qualified procurement and legal professionals and expert witnesses to support with claims and dispute management, forensic delay and disruption, and quantum analysis. Please contact our team.



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