



## Sustainable Procurement Case Study

# Read

Read Construction

***“Forward thinking Welsh construction company puts in the hard yards to help meet current and future public (and private) sector Sustainable Procurement demands”***



## **1.0 Introduction**

### **1.1 About this Case Study**

This publication is based on work undertaken as part of the EPROC project, [www.eproc.org](http://www.eproc.org), a collaborative European initiative commissioned to encourage and support the adoption of new digital procurement processes and tools by small and medium sized businesses (SMEs). The project also addresses the increasingly important issue of Sustainable Procurement, and what this means for SMEs. The EPROC project is supported by European Regional Development Funding under the INTERREG IIB North West Europe Community Initiative on Territorial Development.

This Case Study – focusing on Local Authority Sustainable Procurement developments and its impact on SMEs – has been published with the full approval of the business concerned.

### **1.2 In simple terms, what is Sustainable Procurement?**

Sustainable Development is all about meeting the needs of the present, without compromising the ability of future generations to meet their own needs. Sustainable Procurement on the other hand is about taking the three pillars of Sustainable Development – social, environmental and economic factors – into consideration in an integrated way, alongside financial factors in making procurement decisions. In essence Sustainable Procurement therefore recognizes there are three equally important elements of a healthy and thriving world: a strong economy, a healthy environment, and social well-being.

The public (and private) sector is becoming increasingly active in introducing Sustainable Procurement policies and practices, and they are beginning to view it not as an “add-on”, but as good (and necessary) practice.

For more information on Sustainable Procurement, see [www.eproc.org](http://www.eproc.org).

### **1.3 Synopsis**

Following the loss of a potentially lucrative public sector framework agreement in 2005, Read Construction made a conscious decision that they would invest time, money and energy in order to operate in a much more sustainable way.

This Case Study describes how they have literally turned their business around to the extent that not only is it embedded in all aspects of the way they run their business, but it is also now a core part of company culture. The Case Study also unearths some of the challenges, frustrations, issues and benefits that Read Construction have experienced in meeting Local Authority Sustainable Procurement requirements.

Although this document relates to a business that is much larger than a typical Welsh SME, there are still many lessons that even the smallest of companies can take on board.

## 2.0 Background

### 2.1 Business Profile

Read Construction was established in 1988 by Graham Read, who was previously a contracts manager within the industry and decided he was going to go it alone and chance his arm by setting up his own business.

Since then the business has developed at an impressive rate and indeed now employs in the region of 87 people, including a strong management team that has helped increase annual sales to around £16m. The current Managing Director is Richard Heaton, who has also been a consistent driving force at the company since inception.

With a Head Office in the heart of north-east Wales in Brymbo; Read Construction's customer base is typically located within a 35/40 mile radius of Wrexham and Chester. However, they have been known to look for work further afield – for instance they have completed contracts as far south as Barmouth in mid-west Wales, and as far as St.Helens in the north-west of England.

Three quarters of their trade comes from the public sector, with the remainder coming from the private sector. Roughly 50% of their public sector business comes from Local Authorities, with the other half coming from NHS trusts and the like. Their Local Authority customers include Cheshire, Denbighshire, Flintshire and Shropshire County Councils, as well as Warrington and Wrexham Borough Councils.

Read Construction have been particularly active in the construction of public buildings and especially so in the education sector. One of the current projects they are tasked with, however, is not to build a school, but is the challenge of constructing the Rural Life Centre in Bala for the Welsh Assembly Government.

The company's portfolio of works within the private sector includes the elephant house and café at Chester Zoo, the Royal Liverpool Golf club (they did the conversion works to get the club ready for the 2005 Ryder Cup Open), the Grosvenor Estate in Chester, as well as private schools and clinics.

This range of high profile customers suggests the company has developed a reputation as one of the very best in the industry. Indeed, Read Construction specializes in challenging and live environments where there are major management and logistical considerations and thus experience counts for a lot. For them, it is certainly not a case of simply going along and building, and bespoke solutions are the norm. In fact, most of their repeat business tends to come from this niche – one that they appear to be dominating. Around 70% of their turnover and 85% of jobs come from repeat trade, which of course is the benchmark for a successful business that consistently delivers on customer expectations.



**Read Construction after winning the Constructing Excellence 2007 'Integration and Collaborative Working Award' for their Supply Chain Network**

## 2.2 Operating in a Sustainable way – the “penny drops” for Read Construction

The way that the company is run has changed remarkably in recent years in order to meet their business development aims and objectives.

One event in particular proved a catalyst for change. In 2005, the company lost a five year framework agreement with Cheshire County Council which was worth in the region of £15m because they couldn't prove and demonstrate what they could do, on paper. Cheshire Council were very aware of their capabilities and their reputation of being a quality builder, but it was the softer aspects of their business that at that time let them down.

With hindsight this proved a huge turning point for them, and the whole outlook of the company has since changed. They now operate in a much more professional, organized and clever way and this is best reflected in their mission statement – ‘Delivering best practice through continuous improvement’.

Indeed, they now adopt a deeply analytical approach to their business and a raft of changes has been gradually introduced to ensure they are at the forefront of their industry sector. They can now confidently bid for contracts on the basis that they have adopted best practice and are able to demonstrate and provide evidence of their capabilities. Put simply, in the last two and a half years they have gone from being a determined local builder, to a far more commercially astute and market aware organization, but one that still has its roots in north Wales.

Read Construction is now trying to position itself as the builder of choice for long-term framework agreements with Local Authorities in their catchment area. The company is very aware that winning framework contracts essentially translates into stable, lucrative and lasting business.

Given the high value of these framework agreements, as well as their longevity, the issue of sustainability is a particularly important criterion in the award of such contracts. This was something that Read Construction became acutely aware of following their failed bid for the Cheshire County Council framework contract, and they knew that if they were to be successful with future framework agreements in particular, they needed to invest heavily in sustainability. As John Prichard-Taylor, their Commercial Manager put it, ***“in early 2000, sustainability was not a word that was used in the business – we realized that if we didn't get our act together, we would lose contracts and would not be able to move the company forward”***.

Unlike other businesses that have paid little attention to sustainability issues, Read Construction have turned what could have been perceived as a weakness, into an undoubted strength that they can use to market their company and potentially offer a unique selling proposition that competitors would struggle to match. Ultimately sustainability is something that now pervades every aspect of their business; and certainly is not a word that they provide lip service to – for them, it has tangible meaning.

### 3.0 Public Sector Sustainable Procurement in practice

Over recent years, Read Construction has noticed a definite change within public sector procurement practices in the sense that sustainability has become a cross-cutting theme or a common thread/value within documents such as Pre-qualification questionnaires (PQQs) and tenders.

Even the smallest SMEs may now have to answer questions in PQQs along the following lines:

- Do you have a written environmental policy?
- Do you have an environmental management system (EMS)?
- Do you have a health and safety policy?
- Do you comply with the disabled persons employers act?

Even though Read Construction are certain that these sort of sustainability questions have become more prominent in PQQs, they feel it provides limited opportunity for Local Authorities to differentiate between one potential supplier and another, because the process often involves little more than ticking yes/no boxes. Therefore unless businesses have been found guilty of breaches of environmental or social misconduct, typically they will be included on an approved suppliers list.

However, it is worth remembering that this doesn't mean that LAs won't become more rigorous with these questions in future. And when this does occur, Read Construction openly acknowledge they want to be ready to capitalize on any opportunities that present themselves. In many respects they are already positively placed to do this, but they certainly don't intend to tread water, and as such are determined to progress further up the sustainability ladder.

Responding to invitation to tender (ITT) documentation provides far more scope for Read Construction to demonstrate their commitment to the wider sustainability agenda, given the open ended nature of the questions. Not only have they witnessed an increasing emphasis on sustainability in public sector ITT documents, but they've also noticed that procurement officers are being far more creative in including it as part of their specification of requirements.

The following extracts from a Scope of Works section of a tender to construct two new build schools for special educational needs pupils in Flintshire highlights some of the sustainability issues that Read Construction were faced with when bidding for the contract:

- "The form of construction for the schools will be chosen on the basis of the optimization of energy use and comfort levels for the building occupants. Key factors to be considered in this respect are high levels of insulation, thermal mass, passive ventilation and orientation";
- "Due to the nature of care provision in special schools, the building will be required to be highly serviced but the issues of sustainability will need to be adequately addressed through service controls, occupancy sensing and recycling in order to contribute to low energy design";

- “Environmental impact and life expectancy will also be important factors in determining the choice of construction materials with locally sourced materials being used where feasible”;
- “It is proposed to seek a BREAM ‘very good’ rating for these projects and a BREAM assessor will be appointed” (BREAM is the most widely used environmental assessment method for buildings. Buildings are assessed against set criteria and an assessor is usually involved in the project as early as possible – BREAM is therefore predominantly a design stage assessment).

Similarly, the quality criteria for selection of the contractor (where bidders have to provide method statements on how they will manage various issues), also has a strong sustainability theme. As John Prichard-Taylor succinctly put it, **“it’s not just about building any more”**.

The list below taken from the same public sector ITT document emphasizes this point:

- “The contractor should maximize opportunities for both employment and training of residents of the region”;
- “Contractors are encouraged to employ locally based subcontractors wherever possible and your method statement will incorporate evidence of your ability to fulfill this requirement to maximize the use of the local workforce in both your own and subcontractors organisations”;
- “You will target for zero defects at hand over of the project”;
- “Within your supply chain you will advise as to the choice of materials specified in the project design as to their durability, sustainability for purpose, availability and cost”;
- “You will contribute during the design process on the development of the ‘Pre-Tender Health and Safety Plan’ to determine the safest construction process”.

The above tender which incorporates the three pillars of sustainable development – social, environmental and economic factors – paints a clear picture then of the breadth of sustainability issues that Read Construction are now faced with when bidding for contracts. Their company policy in responding to them is not simply to meet the requirements, but where possible, they will make every effort to exceed them to demonstrate their Corporate Social Responsibility (CSR) and overall commitment to operating in a sustainable way.

When targeting longer-term high value framework contracts they consider this to be especially important – as their Managing Director, Richard Heaton, pointed out; **“at the end of the day, you’re not likely to get many opportunities for that sort of work, and when it’s gone, it’s gone for 4 or 5 years, hence our commitment to ensure that when we do get these enquiries, we are best positioned to address the needs of the client in every area; and particularly in respect of sustainability.”**

Admittedly sustainability requirements within construction tenders are often more stringent than in other industries and this is because it has been

identified by the UK Sustainable Procurement Task Force as a sector that has a high environmental/socio-economic impact. However, it is still worth other businesses taking note of these requirements – and giving due consideration to whether they would be able to respond to these sort of demands should (when) the need arise (s) in future. Inevitably sustainability requirements will become increasingly strict – and now is the time to respond and plan ahead for this. There is no point in taking a back seat and burying your head in the sand!

## 4.0 Operating in a Sustainable way

### 4.1 The Read Construction Supply Chain Development experience

Read Construction are adamant that they take sustainability very seriously – not only because of commercial and legislative drivers, but also in order to satisfy their own moral values within the company. And indeed there is a plethora of evidence to suggest this holds true.

Whilst they are committed to operating sustainably in every respect, it was very evident when talking to the senior management team, that sustainability within their supply chain is something they are particularly passionate about.

In fact, John Prichard-Taylor made the point, **“70% of our business is carried out by our subcontractors on our behalf”**, it is little wonder then they are keen to look beyond the confines of their immediate business and are prepared to make every effort to ensure transparency within their supply chain.

It is outside the scope of this Case Study to enlighten you to all they have done, but it is perhaps appropriate to focus on their supply development network project, for which they won a Constructing Excellence award in 2007.

The development project focused on the extension and alterations to Ysgol Maes Garmon in Flintshire and Read Construction invested £10,000 in the project to develop integration and collaborative working within the supply chain. Construct Wales, the partnership tasked with delivering a higher skilled and better performing construction industry to Wales also provided a significant investment.

The program comprised of ten workshops and over 50 days of ‘hands on’ consultancy support in order to ensure that the principles of industry best practice were disseminated and applied to benefit the overall project.

So what did this mean in real terms?

Not only did the workshops in particular result in effective collaborative working and thus generated outright efficiencies in this sense, but it also enabled Read Construction to engage with their 7 key subcontractors and up-skill them in modern day lean construction techniques. Essentially this translates into reducing and minimizing waste – an environmental benefit, and of course a cost benefit that some of the smaller suppliers were especially appreciative of.

The subcontractors were also introduced to important business measurement tools such as Key Performance Indicators and other construction best practice

techniques – clearly this strengthens the supply chain and thus in the long-term is a vitally important aspect of economic sustainability.

Weekly collaborative planning meetings were also introduced on site, chaired by the site manager and attended by all subcontractor foremen to help reduce unnecessary waste.

The last workshop was timed to run in parallel with the completion of the Ysgol Maes Garmon project and presented an opportunity to identify the lessons learnt from the program, and therefore provide a platform for improvement in future projects.

But it was not all about their supply chain, it was equally about communicating with and investing in their own people – site managers for example were up-skilled in areas such as short term planning, risk management, project management and leadership skills.



**One of Read Construction's Supplier Development workshops**

One particularly poignant moment in the program arose when Cheshire County Council outlined the reasons why they had narrowly missed being selected as a framework partner back in 2005, and these comments were made whilst at the same time also fully endorsing their positive response to this challenge.

Of course, such an approach then is not solely driven by meeting sustainability objectives. Indeed, as a result of this program they were able to complete the Maes Garmon project early and along with value engineering, it resulted in savings of around £150,000 in the supply chain against the original contract value of £3m (this money was however then reinvested in the project to provide additional value to the school). Clearly, this does illustrate how adopting a sustainable approach can offer spin-off benefits that can directly impact on your bottom line and can also enhance client satisfaction. Contrary to popular opinion then, meeting sustainability objectives and business efficiency and effectiveness targets can run in parallel for the benefit of all concerned.

#### **4.2 Other examples of Read Construction's Sustainable approach to doing business**

Over the years, Read Construction have been particularly active in taking advantage of the opportunity for an environmental audit or sustainability review of their business, to help them operate in an even more sustainable way. Cheshire County Council's Eco Audit 21 program and the Synnwyr Busnes – Business Sense Sustainability Appraisal from the University of Wales, Bangor, are just some of the schemes they've used and benefitted from.

Additionally, they've been on CITB-ConstructionSkills sustainability courses and have profited from further guidance from Construct Wales, and the Building Research Establishment (BRE). They have also approached some Local Authority procurement units for guidance and direction, and in certain cases this has proved productive.

They are currently well on their way to achieving the Level 3 Green Dragon<sup>®</sup> Environmental Management System Accreditation. However, their longer-term aim is to reach the upper most level of this standard (Level 5) and when they achieve this, they may be successful in obtaining ISO 14001 or EMAS accreditation (the European Eco-Management and Audit Scheme).

The company has employed an overall sustainability champion within the business for some time, but recently have also taken the admirable step forward of introducing a specific environmental champion. Her responsibility of course is to drive forward developments and to continue the good work that they are already doing in areas such as waste management and analysis of vehicular movements.

On the social sustainability side, Read Construction are equally active. Indeed, in June 2004, they were awarded Investors in People Status and they are also CHAS (the Contractors Health and Safety Assessment Scheme) accredited (the CHAS database enables procurement officers to search to see if an organization has reached this standard).

Given their success in developing their people it is no surprise then that the company has a very low employee turnover. They are committed not only to employing local people, but also a local supply chain and all the environmental, social and economic benefits this brings.

Of course, the above represents just a snapshot of some of the areas they are active in.

## **5.0 Lessons Learned**

Read Construction are keen that other businesses learn from their experience and feel that the following are the key high level issues they would bring to the attention of those who are committed to meeting current, and in particular, future public sector Sustainable Procurement demands:

- Be prepared to invest in sustainability – it is an investment in the future of your business. Take a long-term view of your investments – sustainability is already a cross-cutting theme in public sector procurement documentation. Sustainable Procurement criteria is likely to become far more stringent in future particularly as Local Authorities are currently investing heavily in up-skilling their procurement staff in this area.
- It is possible that Local Authorities may become more prescriptive in detailing their sustainability requirements in future and you need to be ready for this. You need to be able to demonstrate and provide evidence of your sustainability credentials wherever possible and therefore you need to think creatively about how you can do this, particularly in terms of the measurement tools you might use. A simple example of the latter might be illustrating graphically where the location of your staff and/or your supply chain is in relation to your business location.
- Remember that any advances you make on the sustainability ladder, you can use as evidence when applying for future contracts. You also need to market your sustainability credentials.

- Take advantage of free sustainability appraisals, such as those provided by the Synnwyr Busnes – Business Sense service at the University of Wales, Bangor, to help you move forward efficiently and effectively.

***“We are a stronger company, a better organization and have a better product as a result of our investments in sustainability. We have now developed the competencies within our own organization and hope this will bring us the rewards.”*** John Prichard-Taylor, Commercial Manager, Read Construction

## 6.0 Summary and Conclusions

Read Construction is an indigenous Welsh company that has embraced the ethos of sustainability to such an extent that it now pervades every aspect of their business.

When they respond to public sector tenders, it is not a case of them meeting the sustainability requirements, but exceeding them, and they are able to do this because of the systems they’ve put in place over the years and also because of the competencies they have developed internally.

Although this approach does not always bring them the award of a contract, particularly where cost issues are significant evaluation criteria, morally they feel this is the right approach and they are proud of the stance they are adopting. To them adopting a sustainable approach is akin to best practice, although they are very aware there is always room for improvement.

Indeed, over time Read Construction expect there to be a greater and more prescriptive emphasis on sustainability issues in the eventual award of a contract and therefore perhaps a better balance between cost aspects and sustainability. They also feel it is possible that a more punitive approach might be adopted in evaluating the sustainability element of tenders in future. As Richard Heaton, their Managing Director put it, ***“we’re trying to position ourselves for the change in procurement that we are expecting – but of course it needs to come for us to benefit as a company in the long-term!”***

There is no doubt though that the sustainable approach they are adopting has helped them win some contracts and this is particularly true with the more forward thinking Local Authorities. They also feel that adopting this stance may prove a particularly powerful weapon in helping to win the much sought after framework contracts that demand a sustainable approach and an integrated local supply chain.

Although many smaller businesses may feel this Case Study is not directly relevant to them because of the scale of the developments, the key messages that are coming out of this is applicable to all companies, whatever their size. Ultimately any business wishing to supply the public sector that ignores the issue of sustainability – in a social, environmental and economic sense – does so at considerable risk.

As Local Authority Sustainable Procurement policies evolve and become more detailed and informative over time, it should become increasingly clear exactly what will be required of businesses. One thing’s for sure, and that’s



that Read Construction are already in a formidable position to take on any such challenge.