

## **Summary of Proceedings at the Public Sector Construction Clients' Forum Meeting (7) 14 June 2007**

**See Annex A for a list of attendees and apologies.**

### **1. Agenda item 1: Welcome, apologies and introductions**

1.1 Sir Christopher welcomed the Minister of State, Margaret Hodge, and facilitated the introduction of those members present.

### **2. Agenda item 2: Fair Payment**

2.1 Sir Christopher announced that the Financial Secretary to the Treasury had accepted the recommendations of PSCCF Working Group 4 on Fair Payment and had written to Ministerial colleagues to draw their attention to the commitments made by government, seeking their endorsement of its implementation.

2.2 Sir Christopher reiterated that fair payment has been a long standing issue for the construction industry and that there was substantial potential for savings in its adoption. He thanked members directly involved in the Working Group, its Chairman, Archie Robertson, and members of PSCCF for their support.

### **3. Agenda item 3: Minister's Response**

3.1 The Minister thanked PSCCF for her invitation. She told the meeting that she spent a lot of time discussing industry issues such as: improving vfm; frustration over inconsistency in approaches; the waste inherent in litigation/adjudication and the frequency of confrontation; the limited degree of integration and early supply-side involvement; the capital cost-driven culture; and the frequency of clients' changing their minds. There is potential for huge savings once these issues are addressed. She went on to encourage involvement in demonstration projects and measures to tackle fragmentation.

3.2 The Minister was totally supportive of the concept of whole-life value (WLV) and considered that there was considerable opportunity to learn from aspects of MOD procurement. She encouraged engagement with DTI's sustainable construction strategy and asked the meeting to consider whether it was ambitious enough. She expressed delight at the announcement on fair payment, believing that SMEs would share that delight, as they were desperate for improvement in this area.

3.3 James Wates expressed his support and appreciation for the Minister's concerns. He pointed out that government clients represented 40% of demand in this sector. He sought a more co-ordinated approach to the market and a forward view of demand, to help industry to address issues of capacity, and a greater take-up of the integrated approach. It was noted that MOD's progress on applying WLV had mainly been in its procurement of equipment; the aim was to make it a priority to achieve similar improvement in procuring infrastructure.

3.5 Peter Fanning was keen for OGC to play its part in addressing fragmentation through greater use of collaborative procurement. Big changes were being brought about by Transforming Government Procurement (TGP); OGC's new powers will require government construction clients to comply with standards that had been set. He had recently written to departments to mandate the property benchmarking service across the government's 9000 property holdings. He had also instructed departments to collaborate on 12 categories of commodity purchasing.

3.6 The Minister was pleased with this and hoped that OGC made good use of these powers more often. She recognised that, with the devolution of governance in some substantial aspects of government, change may not be straightforward. But effective

integration was key to successful delivery and, if necessary, people had to be made to work differently.

3.7 Steve McGuckin stated that his company had a diverse range of projects and that consideration of WLC in such investments was key. Richard Simmons emphasised the need for such measures of performance in all circumstances. Proper consideration of both the long and short-term view was necessary as well as the arrangements for stewardship. This sentiment had been reinforced by recent NAO reports. Costing needed to take account of the impact of the projects on others; he cited a recent project at Greenwich where its poor design had impacted on the provision of services. He believed that Design Champions had a positive effect, and that there was a 15% performance improvement when Ministers took this role.

3.8 It was confirmed that DTI's work to improve the mechanisms available under the Construction Act was consistent with the Fair Payment Charter.

#### **4. Agenda item 4: Sustainable Construction Strategy**

4.1 DTI outlined the Sustainable Construction Strategy, which was at the consultation stage, and included specific actions for various sectors of the industry. Feedback on the draft strategy would be welcome. Clear policies exist already and the draft strategy builds upon them, restating existing targets and adding fresh ones. This was not simply a DTI strategy but a government and industry strategy, and DTI would also invite Defra, CLG & SFFC to sign it off.

4.2 The aim was not to develop new policy but to bring together existing targets and commitments into a single source. The document will be couched in language that was clear and engaging; targets and milestones would be pragmatic and practical in approach.

4.3 How performance was to be monitored, and the document refreshed, would require an appropriate organisational structure within industry. There are several existing industry bodies which could support this.

The priority areas were:

- *Doing what we said we'd do*  
(Part L) which demands associated compliance / measurement  
Waste: linking interest groups, achieving consistency, and speeding up implementation.
- *Whole-life costing*  
Post occupancy evaluation and feeding this back to the design process  
The importance of public sector leadership  
Be realistic: start where we can obtain buy-in
- *Stakeholder engagement*  
Seek specific commitment from companies  
Some good examples already (Wates, M&S, Courtaulds)

4.4 DTI sought PSCCF involvement in a workshop to be run with CABE, and invited feedback from PSCCF members on the draft strategy. Sir Christopher agreed that this was an important subject for PSCCF and PSCCF confirmed its support for the workshop.

4.5 James Wates did not find the wide range of current targets helpful. There should be fewer yet simpler, focused, targets. Industry is sending some 36,000,000 tonnes to landfill each year, so there was huge potential for quick wins. He agreed that consultation was the right approach to follow.

4.6 Mike Burt concurred that it was a good paper and that the key issues are:

- How do we incentivise?
- Traction and how to make this work

- Accountability, in view of the decentralised Government estate. There was a strong link to OGC's High Performing Property initiative (HPP). It would also be important for the strategy to tie in with the Common Minimum Standards. Champions would drive government estate transformation, and property asset management boards would soon be in place.

4.7 Sir Christopher asked the meeting what was needed to act as an effective incentive. Richard Simmons stated that behaviour was linked to reward or sanction. Government had already shown leadership in taking on this issue. He confirmed that CABE would be delighted to host the workshop on the Sustainable Construction Strategy. Industry felt that there needed to be a demand created before it could act, for example in the availability of triple-glazed windows.

4.8 In discussion it was noted that in building schools there were issues when trying to align national standards with devolved governance structures. Some school programmes delivered via PFI had a close affinity with WLC. There was also a need for greater clarity in terminology in terms of BREEAM ratings etc. It was still difficult to embed good practice, particularly in devolved chains. Many were struggling with WLC and value especially where the financial /investment community do not share the approach to sustainability and WLC. John Ioannou considered that the key to the issue of devolved projects was their visibility. If sponsoring organisations are sighted of where, when and how the money is being spent they are in a position to influence that. It was suggested that external auditors could help and that PSCCF needed to influence NAO and the Audit Commission. They should require public sector bodies to look at the whole-life costs. HMT needed to work with OGC on this.

4.9 Margaret Hodge was pleased with DTI's good work but considered that more ambition was needed. She concluded that this was not about choice but culture change.

*[At this point the Minister left the meeting]*

4.10 Sir Christopher reiterated that this was about being more ambitious, rather than being more complicated. Mark Pedlingham voiced the need for effective planning in considering WLC as this would need to cover both CAPEX and OPEX. This aligned with the sustainable whole life cost agenda in TGP. Defra's targets for the government estate differ slightly and there was an opportunity for this to be clarified as the strategy goes forward.

4.11 It was agreed that PSCCF supported the proposed workshop but that further work was required on the strategy, including greater clarity about incentives and in the use of terminology.

## **5. Agenda item: 5 TGP Agenda – Impact on PSCCF**

5.1 John Ioannou thanked those who had contributed to date. He explained that TGP had identified many of the same issues as the previous agenda item. His paper sought stakeholder buy-in on:

- The impact of policy on procurement
- The potential need for a longer-term planning horizon
- The strategic collaboration on impacts between programmes to take advantage of positive market conditions
- The need for controls in programmes in devolved organisations.

He summarised the recommendations from the paper drawing attention to the request to commit resources to develop the framework into a detailed implementation plan for departmental use. There would be a link to HPP and sustainability in this work.

5.2 Sir Christopher sought clarification on what PSCCF was being asked to agree and questioned whether a change to spending rounds was realistic, and where it would take the group. Mark Pedlingham agreed that there was a need to align incentives with the

other pieces of work mentioned but that for the change to happen, departments needed to own the detailed plan. It was suggested that PSCCF should put measures in place to achieve targets and transform behaviour. Jeremy Jones said that he had personally been involved in the introduction of TGP and summarised its intent, concluding that the right incentives must be put in place.

5.3 Sir Christopher sought specific measures to address issues identified. Don Ward considered that the current 3 year spending round was better than a single year but there was a need for visibility of the longer term intentions to optimise VFM, perhaps sometimes to 20+ years ahead. Mukund Patel reminded the meeting that Building Schools for the Future (BSF) is a 15-year programme, so this was possible without a need for change.

5.4 Richard Simmons reminded members that government organisations deliver services and that buildings were a bi-product of that process. TGP recognises that policy can be achieved through procurement but this needs to be better explained to departments. Mark Pedlingham stated that TGP was about long term sustainable VFM.

5.5 John Ioannou reiterated that the group needed to further develop the high level framework, and that he was seeking resources for this work. MOD, DfES, MoJ and DoH agreed to provide 3-4 mandays of resource. Mark Pedlingham suggested that DfES, MOD and Transport may each offer lessons in longer term plans. Mike Burt was keen that the paper reflected existing work and he also offered to contribute similar resource. Peter Woolliscroft also wanted to be involved.

5.6 It was agreed that John Ioannou would liaise with those organisations which had agreed to contribute resources to take forward the development of the TGP action plan.

## **6. Agenda item: 6 Market Analysis User Group**

6.1 John Ioannou summarised the latest run of the econometric model; the next full run will take place in July and John will report on this at the September meeting of PSCCF.

6.2 Sir Christopher asked how this tool would inform those taking decisions. John emphasised that closer collaboration of activity at a strategic level is a prerequisite for the model to deliver real benefits. To achieve its potential it has to be used at the initial stage of strategic programmes, rather than at a project level when it would be too late to inform strategy. Departments are now starting to make use of the model and their incentive to do so comes from the material benefit they can see from its use.

6.3 James Wates believed that the model was important and, from a supplier's point of view, the clarity of government demand was particularly useful. HA noted concern about potential shortages of professional staff. John drew his attention to the previous report, which covered this point.

6.4 Steve McGuckin stated that recent experience had shown that there was capacity in the regions but that in London it is now difficult to tender work and that fixed prices are not readily achievable. He predicted that some small specialists might struggle in this environment. There continued to be strong demand for 'A' teams by trophy projects; however, he agreed with the overall situation reported. Resource migration remained a risk. James Wates agreed, too, that the analysis was fine but that the supply side were looking for longer-term relationships with their clients.

6.5 John Ioannou also reported that there had been a marked improvement in the performance of projects in terms of time/cost/quality and that OGC intended to check a sample of project results. In addition SLAs were being put in place for the provision and use of data. Project insurance was to be piloted in a health sector scheme.

6.6 Sir Christopher emphasised that members need to take advantage of the opportunities available to them through use of the econometric model. He encouraged

them to share with PSCCF their experience of this so that the benefits become more apparent and quantifiable.

**7. Agenda Item 8: Working Group Status Reports.**

7.1 Summary written reports had been issued for information only. It was suggested that WG2 (whole-life VFM) needed to make a splash about its achievements.

**8. Agenda Item 9: Confirmation of Minutes 19 March 2007.**

8.1 The minutes were confirmed.

**9. Agenda Item 10: Outstanding Actions.**

9.1 There was nothing to report.

**10. Agenda Item 11: Any Other Business**

10.1 In bringing the meeting to a close, Sir Christopher thanked Jennifer Stonehouse for all she had achieved in support of PSCCF and offered PSCCF's best wishes for her early retirement.

**11. Agenda item: 12 - Next meeting date**

11.1 17 September 2007 – starting at 2:00pm in Trevelyan House.

**12. Post meeting note:**

12.1 The workshop on UK Sustainable Construction Strategy will be held at CAFE on 1 August 2007.

**PSCCF Secretariat  
July 2007**

## Annex A

Attendee's name	Title	Dept/Org
<b>Guests</b>		
Rt Hon Margaret Hodge MBE MP	Minister of State	DTI
Alan Dick	PS	DTI
Jeremy Sumeray		DTI
<b>External</b>		
Sir Christopher Kelly	<b>Chair</b>	
V Ad Tim Laurence	Chief Executive	MOD DE
Mukund Patel	Deputy Director, Schools Capital Assets	DfES
Sampath Sundaram	Commercial Director	MoJ
Richard Simmons	Chief Executive	CABE
Jim Price	Head of Professional Services	SWRDA
Don Ward	Chief Executive	Constructing Excellence
James Wates	Chairman	Strategic Forum for Construction
George Jamieson	Procurement Operations South	Highways Agency
Richard Hill	Director of Investment	Housing Corporation
Steve McGuckin	Development Director	Land Securities
Dr Denis Walker (Observer status)	Construction Unit	DTI
Rob Smith	Director of Estates & Facilities	DoH
Jeremy Jones	Corporate & Private Finance Unit	HM Treasury
<b>OGC</b>		
Peter Fanning	Acting Chief Executive	OGC
Mark Pedlingham	Director Markets, Suppliers & Skills	OGC
John Ioannou	Head of Markets & Suppliers - Construction	OGC
	<b>PSCCF Executive Officer</b>	
Mike Burt	Director, Government Estate Transformation	OGC
Peter Woolliscroft	Construction & FM Efficiency	OGC
Jennifer Stonehouse		OGC
Phil Heenan	<b>PSCCF Secretariat</b>	OGC
<b>Apologies</b>		
Archie Robertson	Chief Executive	Highways Agency
Steven Douglas	Deputy Chief Executive	Housing Corporation
Sally Brooks	Head of Schools Capital	DfES