

Note of the Public Sector Construction Clients' Forum - Meeting (10) 12 June 2008

OGC, 1 Horse Guards Road

Attendee's name	Title	Dept/Organisation
Guests		
John Michaelides		Gardiner & Theobald
Professor Steven Male		Leeds University
External		
Dame Mavis McDonald	<i>Chair</i>	
Vice Admiral Tim Laurence	Chief Executive	MOD DE
Richard Simmons	Chief Executive	CABE
Kamran Quadri	Policy Analyst	HM Treasury
Jim Price	Head of Professional Services	SWRDA
Steven Douglas	Acting Chief Executive	Housing Corporation
Clive Clowes	Head of Procurement	Housing Corporation
David Hendon	Director BR2	BERR
Rob Smith	Director of Estates & Facilities	DoH
James Wates	Chairman, Construction Confederation	Strategic Forum for Construction
Neil Blake		Experian
OGC		
Mike Greatwich	Commercial Delivery Director	OGC
John Ioannou	<i>PSCCF Executive Officer</i>	OGC
Phil Heenan	<i>PSCCF Secretariat</i>	OGC
Louise Burge	Policy & Standards Senior Advisor	OGC
Charlotte Madum	Market Analysis Team Manager	OGC
Apologies		
Sampath Sundaram	(previously) Commercial Director	MoJ
Don Ward	Chief Executive	Constructing Excellence
Ginny Clarke	Network Services Director	Highways Agency
Mike Burt	Director, Government Estate Transformation	OGC
Sally Brooks	Head of Schools Capital	DCSF
Steve McGuckin	Development Director	Land Securities

1. Agenda item 1: Welcome, Introductions and Changes

- 1.1 Dame Mavis introduced herself and welcomed guests and members to her first meeting since taking the role of Chair. She also introduced Mike Greatwich who has taken over responsibility for PSCCF from Mark Pedlingham following some organisational changes within OGC
- 1.2 Mike Greatwich explained that the new OGC CEO had commissioned a strategic review which had concluded in March. As a result of the review, a number of changes have been made including streamlining the top tier of the organisation. This will increase OGC's focus on government's efficiency agenda and associated targets. The previous Markets and Suppliers Teams have now merged with colleagues to form the Markets and Collaborative Procurement directorate. The new directorate will drive a more holistic approach for Government spending areas, or categories. There will be no immediate changes to outputs but improvement is expected in the quality of category management.
- 1.3 There had been a further change to the PSCCF membership since the last meeting: Archie Robinson had left the Highways Agency, and Sam Sundaram moved on from MoJ. Replacements for both are currently being sought.
- 1.4 It was agreed that the minutes of PSCCF meetings would change to a more concise, and largely non-attributable, summary of the discussions held.

2. Agenda item 2: Procurement Strategies – paper from WG5

- 2.1 As Sam Sundaram had stepped down as chair of WG5, John Michaelides summarised the report from Working Group 5 and its emerging findings.

Key recommendations of the report focussed on:

- The level of understanding of procurement strategies and the circumstances in which each is likely to be appropriate.
- More widespread use of integrated working, particularly by the small/occasional clients, and the skills needed to achieve this.
- The use of frameworks in the public sector and the view that it is not always understood how to use or get best value from them.
- Earlier engagement with contractors and the converging of the procurement strategy with the supply chain
- The fact that the review is client focussed and that further discussion with the supply side is needed to identify practical methods of (a) consulting them during the early stages of procurement, and (b) adopting integrated working.

2.3 The report suggests that rich dialogue with suppliers was needed for a client's risk management to become better informed and, once a procurement strategy had been selected, to enhance the effectiveness of that route.

2.4 It was recognised that whilst integrated working was working well in some larger Departments like DoH and MoD, but it could be a big step change for smaller Departments who may need help and encouragement to adopt this approach. In order for clients to understand integrated working, it was felt that a definition was required covering the spectrum e.g. PFI, D&B and Prime. A maturity matrix/model that included a range of characteristics to describe maturity was also suggested. It was suggested that Constructing Excellence be asked to share their recent experience of tracking projects.

Action: John Ioannou to discuss with Peter Cunningham, Constructing Excellence

2.5 Integrated procurement approaches have delivered to time, budget, quality and requirement. Departments are seeing benefits from quality and vfm from their investment. A discussion took place around the qualitative aspects of projects that are delivered by PFI and D&B procurement routes. A view was expressed that design standards on PFIs were contentious and further supporting evidence would be required. RIBA had developed a Smart PFI which seeks to look at the design stage earlier in the PFI procurement process although it was acknowledged that this needed to be balanced against the risk of increasing bid costs.

2.6 The question was raised of whether framework contracts should be included in the HMT recommended procurement strategies (PFI, Design and Build and Prime contracting). The advantages of using this route were stated as expediting the process, the potential to appoint several suppliers, the opportunity to build on-going relationships and vfm. DoH currently uses this approach through P21 and their clients are satisfied.

Action: Louise Burge to discuss with Kamran Quadri

2.4 The group discussed the need to consult with industry and invite feedback to on key issues to enrich the report.

Action: John Ioannou and John Michaelides to agree how to consult with industry.

2.5 In concluding the discussion, it was agreed to stand down Working Group 5 and to merge the actions from the report into the remaining work of Working Group 6.

Actions: John Ioannou to write to WG5 members. John Michaelides to provide appropriate input from WG5 to WG6.

3. Agenda Item 3: Client Capability/Capacity – paper from Working Group 6

3.1 Richard Simmons and Steven Male introduced the paper by stating that the findings of working group report are less positive than that of WG5, as the group considered that the overall situation had changed little since the Levene Report produced some 10 years ago.

3.2 After discussing the interim recommendations, PSCCF focused mainly on the key question of why the situation had moved on so little over the last 10 years. It was felt that client capacity was

stretched and that demographics of the Civil Service meant that the situation had the potential to get worse as roughly 1/3 of key staff, including those in the roles of SRO and Project Sponsor, were aged over 50. Despite this situation there was limited succession planning.

- 3.3 It was agreed that the notion of there being informed clients was the right way to continue to go. SROs and Project Sponsors are generally stretched. Many are senior managers and can only devote a small amount of their time to the projects for which they are responsible. A skills gap has been created in many organisations because of a reluctance to train, and the short-term cost of doing so. This is more noticeable in decentralised departments compared with centralised ones.
- 3.4 SROs and PSs in the NHS are selected and trained for operational delivery. No training is given for programme/project management. More failures occur as a result of this than from the technical aspects of building hospitals.
- 3.5 MOD DE encourages their SROs and PSs to train and have embraced this method for many years. A lot has been achieved over the last 10 years, but there is still a way to go.
- 3.6 Both the Sector Skills Council's and the OGC's work are well received and the guidance is looked on more favourably than guidance available in the private sector; it is certainly used. The problem stems from pressure on time to use it, the resources/demographic situation and issues associated with knowledge transfer and succession planning.
- 3.7 It was suggested that if the potential loss to government resulting from this skills shortage was calculated then there would be an increased likelihood of the situation being addressed. The key point was considered to be the identification of the improved outcome that such investment in skills should deliver. This would, effectively, be a business case for investment in skills.
- 3.8 PSCCF was reminded that 20 years ago (in more adversarial times) suppliers liked having uninformed clients; but that that was no longer the case. Now the industry strives for greater efficiency through reducing waste and for that to be possible it needs clarity from clients.
- 3.9 Conclusions:
- The group concluded that although the recommendations were basically right, a focus in improving outcomes is needed in order to get top-level interest.
 - The report at present contained no sense of the scale of business activity and hence the extent of potential benefit that could be leveraged from further investment in skills.
 - Information from capability reviews, and other surveys, could help in providing a sense of scale of the skills gap.
 - The report needs to address why it is necessary to train and develop skills rather than simply buy them in.
 - WG6 will pick-up the appropriate recommendations from WG5.

Actions: Richard Simmons, Steven Male and John Michaelides to produce a consolidated set of recommendations outlining benefits and costs. The final report from WG6 will be discussed by PSCCF in September.

4.0 Agenda Item 4: The Sustainable Construction Strategy and Construction Commitments

- 4.1 PSCCF was reminded that Baroness Shriti Vadera launched these at an event on 11 June. The minister had identified 3 priorities for the Department to deliver on: The Sustainable Construction Strategy; the Construction Commitments; and changes to the Construction Act.
- 4.2 Sustainable Construction Strategy: It had been identified that a framework for assessing progress was required and a Delivery Board had been established. This would be chaired by Denis Walker.

4.3 Construction Commitments: The minister is interested in how these are being embedded within organisations and would like to attend PSCCF in September to explore what outcomes members are planning to achieve. PSCCF welcomed that opportunity.

4.4 It was suggested that clients could learn from the experience of ODA and the Housing Corporation who have established methodologies for implementation and tracking. Interest was expressed in the fit of the sustainability aspect of the commitments with the Strategy's Delivery Board

Action: John Ioannou / Phil Heenan to contact ODA and the Housing Corporation to facilitate sharing their experience more widely.

4.5 The group discussed how the PSCCF could add value and concluded that this could initially be achieved by identifying any hurdles to implementation, and how they could best be overcome.

5.0 Agenda Item 5: Government Procurement Service (GPS)

5.1 The background to OGC's present work to reinvigorate the GPS was briefly explained. It aims to raise the profile and standards of procurement across government. It exists as a sub-group of government employees within the membership of the Chartered Institute of Purchasing and Supply (CIPS). A number of special interests groups are being created within GPS and the group discussed the potential benefit of such a group for construction procurement. The suggestion was that the group would be a "virtual" group and once set up, would run or fall based on the take-up and ongoing involvement of members.

5.2 While there were no objections to the idea, members wanted more information of what it would entail, the potential benefits and interest/take up in other such groups before PSCCF members could endorse. PSCCF were keen to understand also the fit of this with a range of other professional institutions.

Action: Phil Heenan to send further information to members for their consideration.

6.0 Agenda Item 6: Progress of Other Activities

6.1 Paper PSCCF(4)08 was noted by members. In regard to the present situation in the construction market, Neil Blake explained that this was a difficult time with industry slowing down, particularly in the housing sector. Demand pressures had weakened but prices still remained firm. Experian are currently preparing to rerun the econometric model.

6.2 After discussion about the benefits of modelling particular scenarios, members were invited to nominate further scenarios for inclusion.

Actions: PSCCF members to suggest further scenarios to model

7.0 Agenda Item 7: The Direction of PSCCF and Its Future Work

7.1 Dame Mavis asked the group for feedback on what value they had gained from being part of PSCCF and is keen to hear views and suggestions for improvement over the coming weeks.

7.2 The following initial views were offered for further discussion:

- The Forum provided a useful opportunity to discuss issues with both clients and industry.
- A desire for more concrete proposals; some big issues had not yet been tackled.
- How to address whole life costing and make it common practice.
- Greater representation from industry, particularly from the SME sector.
- How to strengthen local government involvement in PSCCF and enhance the relationship between local and central civil government.
- How to involve/engage with clients' practitioners.
- How to reduce/consolidate guidance to procurers and ensure it is consistent.
- Pinpoint who needs what if zero carbon ambition is to be achieved.

Actions:

1. All members: To make further suggestions to Dame Mavis through OGC
2. PSSCF Secretariat : To consider how to take forward
3. James Wates: To nominate candidate(s) for consideration as potential SME representative.

8.0 Agenda Item 8 - Matters arising and minutes from 12 December 2007 Meeting

The minutes were agreed.

9.0 Agenda Item 9 – AOB

- 9.1 It was agreed to consider a planned paper from SFfC on measures to improve health and safety at the next meeting.
- 9.2 Industry concern was voiced that OGC had not issued further guidance to procurers in light of OFT's ongoing investigation into ant-competitive practices within the industry. OGC explained that OFT's advice dated 17 April 2008 to public sector procurers is considered adequate. Copies were distributed to members. The Housing Corporation stated that a link to the OFT's advice had been added to their website.

10.0 Date of next meeting

- 10.1 This will take place at OGC's offices at 1 Horse Guards Road on **17 September 2008 at 9:30am**. The subsequent meeting will be on 11 December 2008 at 2:00pm.

PSSCF Secretariat