

Note of Public Sector Construction Clients' Forum - Meeting (9) 12 December 2007

Conference Room G14, OGC, 1 Horse Guards Road

Attendee's name	Title	Dept/Organisation
Guests		
Rt.Hon.Stephen Timms MP	Minister of State	BERR
Simon Hobbs	P/S	BERR
Peter Rogers	Chair 2012 Task Group	SFfC
Graham Watts	Member 2012 Task Group	SFfC
John Michaelides		Gardiner & Theobald
External		
Sir Christopher Kelly	Chair	
V Ad Tim Laurence	Chief Executive	MOD DE
Mukund Patel	Head of Schools Building & Design Unit	DCSF
Sampath Sundaram	Commercial Director	MoJ
Archie Robertson	Chief Executive	Highways Agency
Jim Price	Head of Professional Services	SWRDA
Don Ward	Chief Executive	Constructing Excellence
Clive Clowes	Head of Procurement	Housing Corporation
Dr Denis Walker (Observer)	Construction Unit	BERR
Peter Sellars		DoH
Peter Bishop	Director	Local Government Task Force
OGC		
John Ioannou	<i>Head of Markets & Suppliers Construction: PSCCF Executive Officer</i>	OGC
Mike Burt	Director, Government Estate Transformation	OGC
Peter Woolliscroft	Collaborative Procurement - Construction & FM	OGC
Phil Heenan	PSCCF Secretariat	OGC
Apologies		
Richard Simmons	Chief Executive	CABE
Jeremy Jones		HM Treasury
James Wates	Chairman, Construction Confederation	Strategic Forum for Construction
Mark Pedlingham	Director Markets, Suppliers & Skills	OGC
Sally Brooks	Head of Schools Capital	DCSF
Rob Smith	Director of Estates & Facilities	DoH
Steven Douglas	Deputy Chief Executive	Housing Corporation
Steve McGuckin	Development Director	Land Securities

1. **Agenda item 1: Welcome and Introductions**

- 1.1 Sir Christopher welcomed the Minister, guests & members and noted those apologies received. He explained that this meeting would be his last as Chairman due to his recent appointment as Chair of the Committee on Standards in Public Life.

2. **Agenda item 2: Integration and Sustainability**

- 2.1 Stephen Timms introduced this item with an overview of why integration and sustainability are important to government and what action was currently underway. He drew attention to the recent consultation on the Sustainable Construction Strategy; and that before the consultation ended there had been some 130 representations made to BERR. The Minister was particularly keen to hear from PSCCF members what more could be achieved, what the barriers were, and what steps he as Minister could take to help.
- 2.2 Archie Robertson drew out the point that the construction industry does not normally operate on particularly high margins although there was a good volume of work. He considered that this fact significantly influenced suppliers' interest in the distribution of risk.
- 2.3 Mike Burt considered fragmentation to be a key issue, both for clients as well as the supply side. His experience had suggested that the greatest potential for collaboration now existed with local government and the Health and Education sectors. Mike reminded PSCCF that Egan had identified the number of industry bodies as a barrier and that perhaps that was still the case.

- 2.4 Mukund Patel thought that Building Schools for the Future had achieved integration and sustainability from the length of the arrangements and the fact that the programme ran for 10 years. Of the projects currently delivering, 7 had formed Local Education Partnerships (LEPs) and 4 had not. LEPs had become the default model. Mukund considered that the market had become far more selective of its clients. He also thought that SMEs were seldom keen to join a consortium. On sustainability, new schools were targeted to be carbon neutral and others had to show at least a 60% reduction.
- 2.5 Peter Bishop stated that short-term investment decisions based on 3 year financial cycles were still commonplace and that a genuine move to whole-life consideration would be a positive step.
- 2.6 Jim Price stated that RDAs required *BREEAM excellent* for all new buildings but that the Common Minimum Standards (CMS) are not mandatory to all of the public sector and a more uniformly adopted set of standards would be clearer.
- 2.7 Tim Laurence thought that Prime seemed to have been successful in this regard; likewise PFI - although a hard look would be required at future use. He felt that sustainability needed a consistent message with a limited number of strategic targets.
- 2.8 Sam Sundaram highlighted the fact that skills and capability are key requirements to implement integration and sustainability.
- 2.9 Mukund Patel pointed out that there remained a separation between capital and revenue and that this meant that savings realised as a result of investment don't always go to the provider of the funds used.
- 2.10 Clive Clowes mentioned that housing associations were already demanding level 3 of the Code for Sustainable Homes as the minimum acceptable standard. He firmly believed that government had got to be seen as leading progress towards the achievement of targets in a similar way as happened with the widespread acceptance of the Egan objectives & targets.
- 2.11 Peter Sellars considered that integration was now making progress and noted that Health trusts had recently been asking for a long-term framework to replace the existing arrangements, which end in 2010.
- 2.12 Stephen Timms asked for suggestions for what he could do in support of these objectives:
- Peter Sellars proposed a greater focus on client capability and awareness of the issues surrounding sustainability;
 - Don Ward suggested that further measures towards improving the situation caused by the separation of Capex and Opex might be worth exploring with HMT. Denis Walker said that discussions at working level between HMT, OGC and BERR had already been held;
 - Peter Woolliscroft considered that a broadly understood definition of integration would help to bring the supply chain together to commit rather than just to speak about it. John Michaelides believed that the private sector had a role to play in this too;
 - Peter Rogers mentioned his company's involvement in HMT's PFI project and that generally there was a need for a better understanding of risk and how to manage it, as at present government bodies are often risk averse and that contractors were also risk cautious;
 - Archie Robertson, answering Stephen Timms about learning from T5, believed that ideas and experiences were being shared and cited the example of Tesco's involvement in the development of approaches to Fair Payment.
 - Sir Christopher asked about the situation with DoH as it is sometimes stated that devolved powers do not always help the implementation of standard approaches. Peter Sellars confirmed that DoH does not normally mandate use of a particular arrangement, but that if procurers see that it is successful then they will adopt it. He floated the idea of a single set of procurement frameworks.
 - Clive Clowes advocated more use of conditional funding to bring about change;
 - Mike Burt made the point that sectoral interests can destroy the big picture situation.

- 2.13 Sir Christopher summed up the main points raised, drawing out the importance of decision making based on Green Book principles and robust management of risk.
- 2.14 Stephen Timms thanked PSCCF for the opportunity to attend and stressed the importance of PSCCF in driving improvement in procurement practice.

3. Agenda item 3: 2012 Construction Commitments PSCCF(16)07

- 3.1 Peter Rogers gave a brief introduction to the origin of the commitments, their present use by the Olympic Delivery Authority and the intention that they be made more generic to be used by industry to further the improvement agenda. There had been consultation about these high-level goals with BERR, OGC, HMT and DCMS. It was acknowledged that the principles being encouraged were not new but that the 2012 commitments represented a simple and clear summary.
- 3.2 A group of individuals (listed on the back of the document) had been appointed to set up and subsequently monitor these standards, which had a strong link to what government was already expecting to be delivered through the CMS.
- 3.3 Peter Rogers thought that it was right that the document should be used as a way of embedding integration and good practice, pointing out that within Stanhope he had successfully used it as a form of "moral code". Graham Watts added that it deliberately stopped short of prescribing how to achieve the principles listed.
- 3.4 Sir Christopher asked what "signing-up" commits members to, beyond that which they were already doing.
- 3.5 Clive Clowes explained that Housing Corporation allocation of funding was conditional on Housing Associations' signing-up. Some 130 Registered Social Landlords will have signed-up and HC were putting audit arrangements in place. References to the Olympics had been removed in order to make the document generic.
- 3.6 Sam Sundaram considered that signing-up should be straightforward for all procurement sectors, not just construction. He expressed interest in knowing more about the measurement arrangements both to deliver the specific outputs and value.
- 3.7 Don Ward drew attention to the series of 2012 Roadshows held throughout the UK to promote the Commitments amongst other things, and credited OGC and BERR for their significant contributions towards this.
- 3.8 Jim Price felt that there was a risk of confusion between the Commitments and the CMS and wondered whether the generic document could be linked to a review of the CMS.
- 3.9 Sir Christopher thanked Peter Rogers for his presentation and concluded from the subsequent discussion that there was support from PSCCF for the proposed generic version of the Commitments.

4. Agenda item 4: Procurement Strategies (WG5) PSCCF(17)07

- 4.1 John Michaelides introduced the paper and summed-up the emerging findings. Whilst there had been considerable improvement in performance of projects from following integrated routes, the single most important contributory factor identified was client skills.
- 4.2 Some integrated routes had been successful in terms of achieving time/cost/quality requirements. He noted that LAs have strict governance requirements that can effectively force them down a particular procurement route. It is clear that true integrated working requires a leap of faith. Clients can tend to stick to what they know and see the supply as a constraint. There is an embedded culture and some professional advisors can block approaches.
- 4.3 Use of frameworks had grown dramatically over the last 4 years (although their use is not necessarily always integrated). With Early Contractor Involvement (ECI) it was essential for clients to be clear when to involve suppliers and how to do so. Good planning was key to the success of all approaches, as was having an intelligent client. Given those, procurement is a matching exercise between demand and supply.
- 4.4 In reply to a question from Sir Christopher on what would help the Working Group to complete its work, John stated that he was looking for reaction from clients.
- 4.5 Archie asked about opportunities from the study. John felt that these would mainly stem from an understanding of the skills required to make strategies work.
- 4.6 Peter Bishop clarified that LAs do not have central rules. LGTF had provided guidance with regard to procurement approaches.

- 4.7 Jim Price believed that where there was genuine interest in improvement, change happened. Peter Woolliscroft considered that a good understanding of what value means was a prerequisite to that.
- 5. Agenda item 5: Client Capacity /Capability (WG6) PSCCF(18)07**
- 5.1 Sir Christopher noted that Richard Simmons had sent his apologies. The paper prepared by Paul Ducker set out both progress to date and the emerging findings. Clearly this would be a comprehensive agenda item for the next PSCCF meeting.
- 6. Agenda item 6: Transforming Government Procurement PSCCF(19)07**
- 6.1 Sir Christopher summed up that WG7 had satisfied itself that all construction related aspects of Transforming Government Procurement were being addressed by present or planned activities and that as a result, the WG's recommendation was that it should disband. This was noted and accepted.
- 6.2 Peter Bishop reminded PSCCF that the CMS would need to be updated to remain relevant. John Ioannou confirmed that this had since been reflected in OGC's business plan for 2008/09.
- 7. Agenda item 7: Other Working Groups PSCCF(20)07**
- 7.1 Sir Christopher stated that the progress report was a matter for members to note rather than discuss but invited members to raise any particular points they may have.
- 8. Agenda item 8: Matters arising from the minutes of the meeting held on 17 September 2007**
- 8.1 No further matters were raised and the minutes were confirmed.
- 9. Agenda item 9: Any Other Business**
- 9.1 John Ioannou expressed OGC's and PSCCF's thanks to Sir Christopher for his Chairmanship over the last 2 years and wished him every success in his new role. Sir Christopher stated how much he had enjoyed the role and that his knowledge of construction had certainly increased over the period. He thanked members for attending and for their useful contributions to the discussion.
- 10. Date of next meeting**
- 10.1 This will take place on 12 March 2008 at 2pm at OGC's offices at 1 Horse Guards Road. Subsequent meetings will be at 2pm on 12 June, 16 September and 11 December 2008.
- [Post meeting note: The 12 March meeting was subsequently cancelled. The PSCCF will next meet on 12 June 2008. The date of the September meeting has also been changed to 17th September at 9.30am.]

PSSCF Secretariat