

**Summary of proceedings at
Public Sector Construction Clients Forum (4)
11.9.06**

See Annex A for a list of attendees and apologies

1. Agenda item 1: Welcome, apologies, introductions

- 1.1 Sir Christopher especially welcomed new members: Denis Walker, who has succeeded Elizabeth Watmore at Head of DTI's Construction Unit and James Wates, Chairman of the Strategic Forum for Construction and Chair of the Construction Confederation, whose appointment to the PSCCF to represent the supply-side practitioners was endorsed at the June meeting
- 1.2 He went on to invite Martin Sykes to speak about the OGC Review that is being undertaken. This was to be Martin's last PSCCF meeting.
- 1.3 Martin broadly described the zero-based review of OGC's activities that had been undertaken and the findings of which had been reported to the Financial Secretary to the Treasury (FST). He said that the Report was consistent with FST's own ideas and might mean that departments' capabilities in procurement would be reviewed, with a focus on markets, which coincides with OGC's current work in that area – including the work being undertaken by PSCCF. He thought that FST was likely to regard PSCCF's work as very important and to merit continuing resources.
- 1.4 Martin explained that he has been appointed Chief Executive of Value Wales, which is the equivalent of OGC and whose remit covers the whole of the public sector. He did not expect to sever links with OGC and saw his appointment as a big opportunity for joined-up working.
- 1.5 PSCCF was reassured by David Adamson, during the ensuing discussion about the OGC Review, that procurement would be high on the agenda of the new organisation and that construction was seen as part of the procurement agenda. He said the results/decisions on the Review were expected by the end of September.
- 1.6 Members were informed that OGC had appointed a new Director of Strategic Supplier Relations, Mark Pedlingham, who had long experience in procurement, and programme and project management, who would be a valuable addition to the organisation.

2. Agenda item 2: Confirmation of Minutes of 19 June 2006 meeting

- 2.1 The Minutes of the 19 June 2006 meeting were accepted as an accurate record of the proceedings.

3. Agenda item 3: Working Group 1 – Demand/Supply (First Kelly Market – Construction (FKM))

o **2005-2015 Construction Demand/Supply Action Plan**

- 3.1 The Action Plan devised in consultation with PSCCF members to address the findings and recommendations in the 2005-2015 Construction Demand/Capacity Study Report was presented and discussed. Included in the Action Plan was a proposal for the establishment of a market analysis group to report to PSCCF; it sought the commitment by PSCCF members to work with OGC to resource the action plan; and there were particularly fundamental actions related to client-side capability and accreditation.

- 3.2 It was pointed out that a number of the actions and commitments related to capability, which was of particular interest to FST. Also the meeting heard that it was likely that HMT would, in future, place heavier credence on what is being termed 'dual key conditionality' on funding. That could require departments to demonstrate that they have the appropriate skills in place and have undertaken market analysis before funds are released to allow projects to proceed.
- 3.3 During the discussion it was agreed that there would be a need to keep the number of groups that arise out of the Action Plan under review. In relation to accreditation of client staff, the consensus was that this was a significant issue. There was a clear need to avoid new standards as far as possible.
- 3.4 David Adamson explained that the market analysis Model could already be used and was available for demonstration.
- 3.5 Other issues raised during the discussion covered the need for the ability/skills to identify and manage the client and stakeholders, including skill in 'managing up' - as far as Ministers, to ensure that the effects of changing requirements ('scope creep') on projects were recognised. It was recognised, however, that managing Ministers would not mitigate overriding political imperatives.
- 3.6 The point was made that mandating accreditation for Project Managers might encourage buying-in skills from consultants who are technically proficient but have no 'political' understanding of the public sector landscape or of how to manage the stakeholders. A view was expressed that the need was for embedding sufficient skills within the public sector.
- 3.7 There was some concern expressed that wider partnerships, as advocated by Ministers, would exacerbate the problem of identifying exactly who the client is. Also the issue of 'one-time' clients who need help was raised. It was suggested that a solution would be for greater, early/up front investment to ensure that the right skills are in place before a project starts.
- 3.8 OGC pointed out that what members were really discussing was the need for up-skilling Project Sponsors – the 'intelligent client' providing the link between the client's demands and the supply-side. An individual with the ability to articulate and manage. The role of Senior Responsible Owner was also identified as a key role. OGC suggested that, perhaps, these should be the focus of PSCCF attention and that existing training might well be available.
- 3.9 After some more discussion about how to take things forward, which included debate about the realism of mandating accreditation, and during which both of the PSCCF industry representatives confirmed their support of the intentions being expressed, it was agreed that:
 - i. OGC would explore with the National School of Government and others, an SRO skills development workshop including reference to lessons learned and decision-making. It was acknowledged that care would need to be taken in the marketing terminology used to promote the workshop, which should refer to 'capital programmes' rather than 'construction'.
 - ii. OGC would consider, with a small number of PSCCF members or their nominees to be identified outside the meeting, if and what financial

threshold might usefully be set to trigger a mandatory accreditation requirement, and what that might entail.

- iii. More generally, OGC to consider what practical steps should be taken to drive the issue of accreditation forward.
- 3.10 Summing up this agenda item, Sir Christopher noted PSCCF confirmation of commitment to the developing Action Plan with the provisos discussed. He emphasised that without robust demand data from members the market analysis function would not succeed. It was also noted that the findings and recommendations of the 2005-2016 Demand/Capacity Study were to be presented to the OGC's Supervisory Board on 13 November 2006.
- o **Progress Report by PSCCF Working Group 1 – FKM**
- 3.11 Members noted the proposed membership, terms of reference and proposals for ongoing management of the new Market Analysis User Group; the progress made in developing the Public Sector Construction Demand Database and the proposal to train particular organisations.
- 3.12 There was some discussion about the basis of the waste avoidance result reported. John Ioannou explained that it was progress/achievements were measured against the benchmark provided by the Bath Study conducted in 1999.
- 3.13 Members were asked especially to note the intention, as previously agreed, that unit costs and whole life running cost information will be included in the data collected with effect from April 2007.

4. Agenda item 4: - Progress Report Working Group 2 - Whole-life value for money

- 4.1 WG2 recommendations and progress were reported to PSCCF. Here the focus is on whole-life value for money, with particular regard to Post Occupancy Evaluations (POEs), the ISO on whole-life costing and the drafting of a supplement to the HMT Green Book.
- 4.2 After some discussion, it was agreed that the threshold for triggering the need to undertake POEs should be set within the range of £3.6 and £10m and that departments/public sector organisations would use their discretion to determine the appropriate point within that. It was also agreed that care would need to be taken with the terminology used, in order to gain maximum support across all public sector organisations to the application of POEs. The core content of hard and soft elements of POE were agreed in principle with departments designing their own POE around these.
- 4.3 Not for the first time at a PSCCF meeting, the question of how to ensure that POEs were undertaken was raised and discussed. It was agreed that the OGC Gateway™ Review process was a valuable monitoring tool but that it would be helpful to have the support of the NAO and the Audit Commission.
- 4.3 Reference was made to previous PSCCF discussion on the amalgamation of funding of capital and operational expenditure for projects - bringing together 'Capex' and 'Opex' – rather than the current funding regime, which is based on separate funding. This prompted some discussion about

the considerable difficulties separation of funding poses and a number of suggestions were made to address this issue.

- 4.4 It was reported that drafting of the supplement to the Green Book had been continuing since June and that WG2 and the sub group that had been formed needed a clear steer from PSCCF on two specific points. First, the inclusion of "social" costs of environmental pollutants in investment appraisal and business case, in particular during the calculation of NPV and Option Appraisal. PSCCF supported this recommendation in principle.
- 4.5 Second, the sub group sought a steer from PSCCF Also, the period that public sector clients should optimise the total of capital costs plus hard operating costs.
- 4.5 There followed discussion about the period to be specified, the appropriate-ness of which would vary depending on the project. The conclusion was that the wording in the supplement would need to capture the notion of embodying carbon for the longest possible time. This would provide a policy driver.
- 4.6 There was discussion as to whether WG2 were working on whole-life cost or whole-life value. It was confirmed the agenda was about value.
- 4.7 PSCCF supply-side representatives confirmed that whole-life value was a fundamental issue and that the industry would respond positively to a client lead in this area and would make necessary changes.

5. Agenda item: 5 –Progress Report Working Group 3 - Better Embedding of Best Practice

- 5.1 Working Group 3's current focus was reported to be on embedding the Common Minimum Standard through Ministerial buy-in, raising awareness in clients and the supply-side through workshops (possibly in concert with the imminent roll-out of the new CDM regulations) and through an audit requirement. This strategy would be undermined unless the CMS were kept up to date, so that their credibility was maintained. WG1 was conscious that embedding in larger departments would be easier than in devolved/smaller public sector organisations.
- 5.2 PSCCF agreed a recommendation to extend the life of WG3 beyond December 2006.
- 5.3 Summing up the ensuing discussion, Sir Christopher said that the general consensus was that clever marketing would need to be employed as well as a degree of passion in order to provide some impetus to the embedding process. Common Minimum Standards was not inspiring as a title. Supply-side representatives suggested that it would be helpful to involve key consultant bodies in the workshops and a proposal was tabled for consideration that promotion of one or two of the specific standards rather than all of them at once might give more momentum to the initiative through small wins that could make a powerful difference – eg health and safety and/or integration.

6. Agenda item: 6 - Working Group 4– Fair Payment – Update

- 6.1 The work of WG4 was reported to be on track. The definition and principles of 'Fair Payment' had been agreed and consultants were working to develop best practice tools.

- 6.2 It was noted that the progress made by WG4 could be regarded already as a 'quick win' for PSCCF. A final report is due in December.

7. Agenda item: 7 – Working Group 5 – Review of Procurement Strategies

- 7.1 Sampath Sundaram said that he had been happy to take on the role of Chair of WG5. He reported on the progress that is being made in setting up the group. He said that he would welcome Members' views to inform how to take the work forward to best effect; about why any work in this area is needed and what are the desired outcomes and in what timescales. His early view was that WG5 was about improving methods/decision-making. He proposed to run a workshop to explore these questions.
- 7.2 David Adamson's view was that WG5 would need to re-examine the relative validity of the three mandated 'preferred procurement routes': Design & Build, PFI and Prime, in the light of other approaches. John Ioannou added that the Group should not be constrained by history and this point was supported around the table. There would need to be a fundamental examination of whether the preferred routes had actually encouraged integration, which was the intention. He said that he would be happy to participate in WG5.
- 7.3 Other issues raised included the reality of the proposed 12-24 week timescale that had been assessed for completion of WG5's work and the need to ensure that Treasury were adequately informed about the formation of this Group. It was pointed out that the new EU 'Competitive Dialogue' Directive would likely be a big issue to take into account in the Group's deliberations. Other points raised included the need to keep suppliers informed of the outcome of WG5s work and the need to bear in mind SMEs to ensure proper representation.
- 7.4 In bringing discussion to a close, Sir Christopher asked for draft WG5 terms of reference to be circulated to PSCCF out of committee for approval.

8. Agenda item: 8 - Bulletin (standing item)

- 8.1 David Adamson presented his commentary on:
- A short update on Project Insurance – for information
 - Forms of contract – for information
 - Innovation Platform – Denis Walker confirmed that DTI have just begun to take this promising piece of work forward.
 - NAO study on Sustainable Buildings on the Government Estate – for information
 - Inflation in the Construction Industry – for discussion
 - e-auctions – for information
 - International Liaison on Construction Practice – for Members' input out of committee.
- 8.2 David focussed on his 'essay' on Inflation in the Construction Industry, which, in essence, explored the reasons why it has consistently been higher than RPI – at a cost to the UK taxpayer of about £20bn per year over the last 10 years - and sought PSCCF views on whether this analysis merited further work.
- 8.3 The discussion that followed highlighted that Highways Agency are currently doing some work to examine what costs are likely to be in 10-15 years. There was support for some further work in this area and offers of participation from some PSCCF members.

- 8.4 It was agreed that a small meeting should be convened to discuss if this was an area of work that merited being taken forward and, if so, perhaps to identify someone to take the work forward.

9. Agenda item: 9 – Actions outstanding not covered during meeting

- 9.1 There was only one outstanding item. Members agreed that an offer that PSCCF had received some months before of a round-table discussion with private sector clients would not be taken up at this time.

10. Agenda item: 10 – Any other business:

- 10.1 It was reported that two WG1 deliverables, the '2005 Start on Site survey' and the '2nd PFI Projects less than £20m survey', which had been shelved through lack of OGC resource, were now to be reinstated into Smarter Construction's the work programme to proceed before the end of the Financial Year.
- 10.2 Members offered their thanks, and their congratulations and best wishes to Martin Sykes for his efforts on PSCCF's behalf and for his new role in Wales.

11. Agenda item: 11 - Next meeting date

- 11.1 The next meeting will be held on 11 December 2005.

12. Agenda item: 12 – Future meeting dates after December 2006

- 12.1 Sir Christopher closed the meeting. He said that PSCCF Secretariat would be in touch shortly to confirm a programme of meetings for 2007.

**PSCCF Secretariat
September 2006**

Annex A

Present

Members

Sir Christopher Kelly
Archie Robertson
Jim Price

Sally Brooks

Roger Latham

Clive Clowes
Richard Simmons
V Ad Peter Dunt
Sampath Sundaram
Don Ward

James Wates

Denis Walker
(Observer status)

OGC

Martin Sykes

David Adamson

Simon Robinson
(Observer status)
Jennifer Stonehouse

Guests

John Ioannou

Charlotte Madum
(Part time)

Apologies

Steven Douglas

Peter Coates

Non attendance

HMT representative tbc

David McMeehan

Chair

Chief Executive/Chair WG4
Head of Professional Services
/Chair WG3

Head of Schools Capital &
Buildings
Chair

Head of Procurement
Chief Executive
Chief Executive
Commercial Director/Chair WG5
Chief Operating Officer

Chairman

Construction Unit

Executive Director Smarter
Procurement

Director Smarter Construction
PSCCF Executive Officer/Chair
WG2

Hd of Strategic Supplier Mgmt

PSCCF Secretariat

Assistant Director Smarter
Construction/Chair WG1

WG1 Demand/Supply Executive

Deputy Chief Executive

Deputy Dir. of Finance-
Investment

Director, OGC Construction & FM
Efficiency

Highways Agency
SWRDA

DfES

Local Government
Task Force
Housing Corporation
CABE
MOD DE
DCA
Constructing
Excellence
Strategic Forum for
Construction
DTI

OGC

OGC

OGC

OGC

OGC

OGC

Housing Corporation

Dept of Health

HMT