

Summary of proceedings at first meeting of Public Sector Construction Clients Forum 15.12.05

See:

- **Annex A for a list of attendees and apologies**
- **Annex B for PSCCF Mission, Vision and Terms of Reference**

1. Introductions and opening remarks

- 1.1 Sir Christopher Kelly and Martin Sykes welcomed members to the first meeting of the newly established Public Sector Construction Clients Forum and led a discussion about the way it would work and the importance placed upon the seniority of the membership, which would give weight and influence to its outputs. The leadership of the PSCCF and its outputs would be particularly relevant given the new direction set by Cabinet: that "bad practice was not an option" and those found to be not following good practice would be held to account.
- 1.2 The current public sector 'climate' as it affects construction was illustrated with the example of the 'pinch points' in certain regions in the country, where construction projects were disproportionate to the size of the population in those regions; in particular in the NW and SE. OGC's 'First Kelly Market – Construction' follow-up work arising from Sir Christopher Kelly's 2003 report *Increasing Competition and Long Term Capacity Planning*, was addressing such issues. It was noted that similar issues were being identified in taking forward work on the 'Second Kelly Market – Waste' and that the problem generally is one of markets suffering through lack of strategic involvement by clients. The formation of the PSCCF would allow that issue to be addressed for construction.
- 1.3 The meeting heard that the March 2005 NAO report *Improving Public Services through better construction* had demonstrated the efficacy of the Achieving Excellence in Construction (AE) initiative. The estimate in that report was that £800m of value for money gains had already been achieved through the application of the best practice principles of the initiative across central government. This was a realistic assessment in OGC's view, which coincided with OGC's own estimates based on the AE Strategic Target results. The NAO Report had further identified that, potentially, up to £2.6bn value for money savings in annual construction expenditure could be achieved if good practice was applied across all of the public sector.
- 1.4 It was clear from discussions that OGC had had with Treasury that it was likely that good plans with clear business cases incorporating sustainable solutions would receive more favourable consideration during SR07. In other words, there would essentially be a capability assessment in relation to funding.
- 1.5 After some discussion the success factors for the PSCCF were agreed to be:
 - Better forward planning of programmes and projects
 - Institutionalisation of real time data collection over the full life cycle of programmes/projects
 - Effective networking between members of the PSCCF

2. Why a PSCCF?

- 2.1 OGC provided a presentation describing the strategic role of the OGC and the drivers, in that context, that had led to the establishment of the PSCCF, which essentially were:
- In relation to the "First Kelly Market – Construction" report, the need for a senior stakeholder group to represent the public sector construction client to include a market analysis function.
 - In the context of the March 2005 NAO report recommendation, the need for a single departmental forum at senior management level to strengthen the leadership and co-operation of public sector construction activity.
 - The need to act on the growing awareness of whole-life considerations, especially total financial and environmental costs, and through-life fitness for purpose.
- 2.2 PSCCF members strongly advocated industry involvement in the work of the Forum once the current membership was fully established and that sub group involvement from the outset was essential.

3. PSCCF Mission, Vision, Values and Strategy

- 3.1 Following discussion, the proposed wording of the Mission, Vision and Terms of Reference for the PSCCF was agreed. See **Annex B**.

4. PSCCF Terms of Reference and 'Top four' issues/desired outcomes

Terms of Reference

- 4.1 OGC offered up for members' agreement SCCF Terms of Reference and the 'Top four' high priority issues that required PSCCF attention:
- Increasing competition and long term capacity planning;
 - 2012 impact update;
 - Fitness for purpose through life;
 - Best practice production and embedding.
- 4.2 The ensuing discussion ranged over the need for the ToR to include, leadership for 'small and occasional' clients; recognition that relationships with industry would need to be interactive; must include a responsibility to promote/drive up quality and sustainability; and cover PFI issues. See **Annex B** for agreed TOR.
- 4.3 Generally there was agreement that, since the membership of the PSCCF represented those departments that account for something like 80% of public sector construction spend, the opportunity to lead by example was clear. If the message that major public sector clients back the Achieving Excellence initiative could be promoted, then together with the good news of the existing AE results and the savings already achieved, that would increasingly provide the basis for spreading the message and changing the culture.

Increasing competition and long term capacity planning

- 4.4 The Forum accepted that it has a role to oversee a market analysis function in line with the OGC's First Kelly Market work and also that, in order to fulfil that function, data should continue to be collected.
- 4.5 Members also agree to 'adopt' the existing FKM Board as a sub group to confirm the acceptability of the range of market analysis data and to propose actions to satisfy the other FKM recommendations. The sub-

group's findings to be presented to and ratified by members at future Forum meetings.

2005-2015 Construction Demand/Capacity Study

- 4.6 In relation to their market analysis function, Members were asked to note the recent award of a commission, the *2005-2015 Construction Demand/Capacity Study* that will examine the industry's ability to deliver significant capital development programmes throughout the UK currently planned or under consideration during the period to 2015 including the impact of the 2012 Olympic Games. The Study will inform decision-making by the PSCCF and provide it with an analytical tool, to assess the nature and size of the risk to construction price inflation, the interrelation and effect on capacity of the various programmes, so as to help identify and assess the options open to Government. The importance of provision of demand-forecast data from departments was noted. The Study is expected to conclude in May 2006 and the results will be used to advise Ministers and other Government Departments.

Fitness for purpose through life

- 4.7 PSCCF then had a presentation on Smarter Construction's proposed future performance measurement strategy, which outlined the current position in respect of AE, where performance data continues to be collected and subsequently analysed on time, budget compliance, client satisfaction, defects, procurement time and health and safety. Members heard that this had already enabled value gains to be quantified but there were, nevertheless, limitations to the data. OGC's vision was for collection of information over the whole-life of a programme/project. This would begin with the FKM demand information, proceed through to the gathering of enhanced (existing AE information plus actual total and unit costs and validation) project performance data and end with the collection of in-use information provided by Gateway™ Review Gate 5, cost in-use and post occupancy evaluation (POE). It was emphasised that none of this was new but it needed to be institutionalised. OGC's idea is for a web-based system with real time input.
- 4.8 PSCCF agreement was sought to:
- Whole life measurement – a 'continuum' approach and, in particular, to
 - PSCCF members assistance in the institutionalisation of the collection and analysis of the demand data and also
 - Working with Smarter Construction on developing and institutionalising a post occupancy evaluation regime.
- 4.9 There was much discussion on the presentation and some scepticism of the applicability in some areas.
- 4.10 Members endorsed the view that the procurement route is relevant and there is currently a real problem, in so far as running cost budgets are completely divorced from capital funding budgets. There was also acknowledgement that the ethos of 'lowest cost' was still deeply engrained in some local authorities.
- 4.11 There was consensus that securing appropriate capital at the start of a project led to better value later and that it would be useful to demonstrate what aspects of a project produced the most value. The importance of good design being sustained throughout procurement was recognised. Again the point was made that it would be vital to involve the private sector in the collection process.

- 4.12 In summing up the discussion, Sir Christopher concluded that the PSCCF was in a good position to provide the necessary weight to the argument that Treasury should reconsider the current capital and recurrent cost accounting method for construction. Proving the case would be difficult without the collection and analysis of the 'continuum' of data. He proposed that PSCCF agree to set up a sub group to consider the issues and called for nominations to join the group. He said that the sub group would need to clarify what questions need to be addressed to achieve the 'continuum' performance measurement approach, identify the barriers to success and then how success can be sensibly achieved. That was agreed.
- 4.13 The sub-group will be expected to report back to PSCCF at its next meeting.

Best Practice

- 4.14 PSCCF were asked to consider if the amount and range of guidance now available is appropriate and sufficient to enable and encourage the application and embedding of best practice in construction procurement. If not, what is required that is extra or different? The recommendation from OGC was that PSCCF agree to establish sub group to consider these issues and report back.
- 4.15 The view was expressed that OGC had done a good job and there was sufficient guidance. What was now necessary was to focus on changing culture more widely and embedding the existing best practice more deeply. It would be useful to take stock on how departments think they are performing and, if there are barriers to changing the way they work, to identify what they are. Again the issue of the occasional clients was raised, in that that they need the most support to change, using the best practice material that already exists.
- 4.16 It was agreed to establish a sub group with OGC liaising with PSCCF to agree the level and competence of its membership

5. Other issues for prioritisation

- 5.1 Discussion among members here led to agreement that the three items identified in the Paper – viz: sustainability, health & safety and 'other Kelly recommendations' - should be addressed by PSCCF.
- 5.2 In addition, members identified other issues that would need consideration such as energy - under the sustainability agenda, 'Partnering', 'PFI bid costs' and 'flexibility of use'.
- 5.3 Sir Christopher noted the scale of the agenda before PSCCF and called on OGC to produce an Annex to the Minutes of the meeting to propose how it will be taken forward – ie OGC's view on what will be practical within what timescale.

6. Any other business:

a) Forward programme

- 6.1 Members agreed to 4 meetings per year in principle but acknowledged that, as the PSCCF agenda matured, 3 per annum was more realistic. The importance of members attending in person was acknowledged.

b) Draft Press Release

- 6.2 Members agreed to a Press Release to be issued as soon as possible after the first meeting subject to the inclusion of wording to the effect that PSCCF will want to engage with industry on all the issues within its remit and intends to do so in a variety of ways.

Note: *The Press Release was issued on 3 January 2006*

PSCCF Secretariat

December 2005

Present

Departmental Members

Sir Christopher Kelly	Chair	
Chris Allison (<i>for Roger Latham</i>)	Deputy Chief Executive	Nottingham County Council
Peter Coates	Deputy Director of Finance-Investment	Department of Health
Steven Douglas	Deputy Chief Executive	Housing Corporation
Vice Admiral Peter Dunt	Chief Executive	Ministry of Defence, Defence Estates
Mukund Patel (<i>for Sally Brooks</i>)	Head of Schools Capital Assets	DfES
Jim Price	Head of Professional Services	South West Regional Development Agency
Archie Robertson	Chief Executive	Highways Agency
Richard Simmons	Chief Executive	CABE
Elizabeth Whatmore	Director Construction	DTI

OGC

Martin Sykes	Executive Director	Smarter Procurement
David Adamson	Director and Executive Officer to PSCCF	Smarter Construction
David McMeehan	Director	Construction & FM Efficiency
John Ioannou	Assistant Director	Smarter Construction
Bruce Hartley	Head of Strategic Supplier Management (Construction)	Supplier Relations
Jennifer Stonehouse	PSCCF Secretariat	Smarter Construction

Apologies

Roger Latham, Chief Executive Nottingham County Council
 Sally Brooks, Head of Schools Capital & Buildings, DfES

Note

It was noted that HM Treasury and DCA would be represented at future meetings.

PSCCF Mission and Vision

Mission

To lead improvement in the value for money obtained for the public sector construction procurement, leading to better public services through delivery of built environment programmes and projects that are both cost effective in whole life terms and sensitive to social and environmental considerations.

Vision

For the Public Sector to be regarded as clients of choice by the construction industry in the delivery of sustainable construction.

PSCCF Revised Draft Terms of Reference

- To lead improvement in the whole life value for money procurement of sustainable built environments across the public sector, including PFI projects, by:
 - facilitating co-operation and communication with the construction industry;
 - promoting more comprehensive and complete adoption by the public sector of the principles of the Achieving Excellence in Construction initiative;
 - championing design excellence and sustainability.
- To oversee and endorse the next phase of the 'First Kelly Market' work, including receiving and considering demand data and, with the Smarter Construction Metrics and Analysis Team, undertaking a market analysis function with the aim of advising departments on the market implications of programme implementation.
- To champion, lead the implementation of and promote good practice and other changes consequent on the agreed outcomes of the Group, within their own organisations, across the public sector and with industry suppliers.
- To consider how best to achieve increased inter-client co-operation on such matters as strategic sourcing, frameworks and common processes like project banking or project insurance
- To commission, oversee and endorse the outcomes of limited life operational level working groups to be established to take forward particular areas of work to support and inform the Group.