

**Summary of proceedings at
Public Sector Construction Clients Forum (2)
23.3.06**

See:

- **Annex A for a list of attendees and apologies**

1. Agenda item 1: Welcome, apologies, introductions

- 1.1 Having welcomed those present, introductions were effected and apologies acknowledged.
- 1.2 Sir Christopher welcomed the 3 Executive Officers for the PSCCF Working Groups who were attending this meeting as observers for Agenda item 3.

2. Agenda item 2: Minutes of 15 December meeting/outstanding actions not covered by the Agenda

- 2.1 Members noted that all the actions from the last meeting had either been completed or were to be covered later in the Agenda.
- 2.2 The Minutes of the 15 December 2005 meeting were accepted as an accurate record of the proceedings including the PSCCF Vision, Mission and ToR as redrafted in line with discussions. Sir Christopher thanked those members who had commented.

3. Agenda item 3: PSCCF Working Group reports:

- 3.1 Members were asked to note that the first meetings of the three Working Groups were, inevitably, focussed quite heavily on 'process' and putting place the mechanisms and infrastructure for delivering the outcomes that will, in the longer term, lead to the strategic ideas/changes that PSCCF has been established to drive forward by applying its weight to achieve any necessary political pressure.

3a) First Kelly Market – Working Group 1

- 3.2 The genesis of PSCCF Working Group 1 (WG1), First Kelly Market – Construction (FKM) was explained. It was made clear to members that WG1 actually pre-dated the formation of PSCCF (as a result of the Kelly Programme Board) as, indeed, was the establishment of the PSCCF itself: the Kelly Report's (*Increasing Competition and Improving Long Term Capacity Planning in the Government Market Place – October 2003*) primary recommendation had been "to establish a senior stakeholder group to exercise a market analysis function and advise departments on the market implications of programme implementation". [**POST MEETING NOTE** (for added clarity): This was because the 'Kelly' work had identified capacity constraints (even before the Olympics) in the construction sector. This was acknowledged as a threat to the ability of government to realise its ambitious plans for building new schools, hospitals, surgeries, courts, roads, railways etc. It was recognised that government as a whole might have to prioritise – hence such a senior body as PSCCF.]
- 3.3 It was emphasised that PSCCF members' buy-in to the processes and infrastructure that were being put in place was vital to the eventual success of the projects that were part of the FKM programme of work. That the work has a number of strands including:
 - The enhancement of the Public Sector Construction Demand Database to ensure a real time web-enabled system to facilitate institutionalising the collection of forward demand data information and for providing real time reports to the demand and supply sides of likely future

construction demand across the public sector. The database will be used to input information to the model, resulting from the 2005-2015 Demand/Capacity Study.

- The 2005-2015 Construction Demand/Capacity Study that is intended to deliver:
 - supply and demand research, forecasts and comparisons;
 - a dynamic refreshable model of construction supply and demand; and
 - an analysis of demand and supply dynamics.
 - Working with Departments to ensure that forward-looking construction demand data returns are increased. In the last month the rate of return has improved substantially but is still not in sufficient detail. Information is required broken down by programme, by region and by year for accurate analysis by the model.
 - Work to establish the level of accuracy of the collected demand data.
 - A survey of projects due to start on site in 2004 to establish if they began on time.
 - A survey of projects apparently below the £20m threshold being procured via the PFI route.
- 3.4 OGC emphasised that the Demand/Capacity Model, will be used by PSCCF to undertake its market analysis function. It will allow for 'scenario planning/playing' informing Departments' and Ministers' decision-making by highlighting the effects of public sector construction demand on industry capacity. It will provide a view of how projects might impact on each other or on the economy at large. It will reveal potential budget effects, and effects on inflation, labour and materials supply.
- 3.5 The meeting was assured that the model would look at private sector demand and that Deloittes were looking at that as part of the 2005-2015 Study.
- 3.6 The point was made that this was work that potentially could encourage the right sort of behaviours in the construction industry and could inform discussion about the phasing of the Government's investment programme. It was also noted that the model would inform the need for training and assist project managers in their planning.
- 3.7 Members noted and endorsed the membership of WGI, together with its draft Terms of Reference and that the inherited FKM actions would need to be updated and evaluated in due course, in light of current knowledge and future requirements. There was some discussion about the expected length of the working-life of the group but it was accepted that this could not be precisely predicted. What was clear was that the Demand Database will be complete by the end of March but will lead into a second phase (Project Performance) of its development during 2006-2007 and, thereafter, the third phase (Performance in-use) is currently aspirational.
- 3.8 Sir Christopher summed up the situation by saying that WGI will be providing PSCCF with the demand and capacity data that it was formed to analyse and that will get better with time. Essentially, therefore, the work of WG1 will continue while it remains useful to PSCCF. OGC's view

was that the modelling of the demand data would undoubtedly be of continuing and great value.

- 3.9 PSCCF heard that an interim report had been received from Deloitte about the 2005-2015 Construction Demand/Capacity Study. It was a 'work in progress' and would be subject to discussion between OGC and Deloitte but it was clear that a useable Model was the likely outcome. However, the real issue here is the quality of the data collected from departments to input into the Model. He thanked the members of the PSCCF for their departments' efforts so far that had resulted in an increase in the volume of data being collected but more is needed to make the Model viable. Aside from volume John explained that the quality is still of variable quality and granularity.
- 3.10 Members were urged to do what they could to encourage those in their departments who are responsible for providing the demand data. Members agreed to do so but, in turn, asked OGC to provide the names of the officers with whom they had been liaising and when the contact had been made. OGC noted that RDAs were very willing to provide input data and that it would be wise to check that data was being received from other parts of MOD and not just from Defence Estates.
- 3.11 Sir Christopher interpreted the feedback at the meeting as approval for OGC to be more assertive in its requests for data.
- 3.12 Turning to WG1's work on enhancing the demand database that had been inherited under the FKM programme, PSCCF was informed that work is in hand to enhance its coverage to capture not only the forward look data that will inform the Demand/Capacity Model but also construction project performance, (eg time, cost, quality, health and safety and unit cost) and also post completion/in use data. Thus the database will eventually provide 'continuum'/whole-life measurement information, as discussed at the first PSCCF meeting. By moving to a web-based, real-time system (aligned to the current OGC e-PIMS database), this will provide a more comprehensive management tool.
- 3.13 PSCCF members endorsed this continuing work to enhance the Public Sector Construction Demand Database.
- 3.14 PSCCF endorsed the continuation in 2006-2007 of the 'Start on Site' exercise. Having also noted the results of the 'Below £20 Million PFI Projects Survey', PSCCF agreed that a further survey next FY should be conducted.

3b) Whole-life value for money – Working Group 2

- 3.15 David Adamson explained that he had taken the Chair while WG2 was looking ideally for that role to be held by a PSCCF departmental member. It was agreed that David would pursue this on a one to one basis with members outside the meeting to identify a volunteer to steer this complex and important work.
- 3.16 PSCCF endorsed the lines that the first meeting of WG2 had taken on how to take their work forward in relation to 'measuring value', whole-life costing and budgeting and post-occupancy evaluations.
- 3.17 In relation to encouraging the use of DQIs, it was suggested that DoH, which also have their own DQI's, as do other departments represented on WG2, could bring further valuable experience to bear in the Group's

deliberations. WG2 had agreed, at their first meeting to keep its membership/composition under review and would consider DoH representation in this context.

- 3.18 There was some discussion around the practicalities and difficulties of the 'conditional funding' approach, say when political agenda imperatives might over-ride the laudable requirement to ensure, before allocating budgets, that there was commitment to best practice and the ability to demonstrate a track record of its use (except occasional clients that have not before been involved in procurement). This was something WG2 would have to consider. The point was made that a balanced approach was needed.
- 3.19 There was also discussion about WG2's proposals for mandating whole-life costing for all public funded projects. This to inform better client investment decisions. In particular WG2 had recommended that it would be helpful if HM Treasury Green Book could be as specific as possible in encouraging capital investment to reduce running costs especially where there is a financial pay back of, say, up to 5 years and/or where there are clear environmental benefits (eg CO2 reductions through use of low-energy systems).
- 3.20 It was accepted that HMT steers away from minimum cost and it may be that any deficiency in the Green Book is merely a drafting inadequacy that a dialogue would resolve. Simon Less of HMT was nominated to sit on WG2 in relation to this issue and it was agreed that WG2 will consider proposals for amendment to the HMT Green Book to maximise its clarity on supporting sound long-term investment in time for the June PSCCF meeting.
- 3.21 Jas Hundal suggested that it would be useful for WG2 to identify a Local Government Task Force member.
- 3.22 Summing up the discussion, Sir Christopher said that there was general PSCCF support for whole life fitness for purpose assessments and WG2 should identify the issues that need to be addressed to achieve whole-life value for money; form a view about how to tackle those issues and come back to PSCCF with recommendations. WG2 planned to complete its work by December with the next report to PSCCF in June.
- 3.23 PSCCF were then updated on the last Sustainable Procurement Task Force meeting and its outcomes/messages. SPTF had come to the end of its work. Out of the 47 KPIs for procurement there were 2 or 3 (eg water consumption) that were key priority areas. Whole-life costing was a hot topic and was being looked at. It was likely that there would be resulting recommendations for departments to take into account in their construction procurement process.

3c) Better Embedding of Best Practice – Working Group 3 -

- 3.24 PSCCF supported WG3's proposals for taking forward preliminary work to: survey the current state (how wide and how deep) of embedding best practice construction procurement principles in the public sector in order to attempt to identify the barriers preventing better embedding and, thereafter, to develop proposals to ensure that embedding happens more effectively.
- 3.25 PSCCF also endorsed WG3's proposal to consider how to address the perceived gap in current guidance on 'standardisation of process', eg dimensioning in design and product manufacture.

- 3.26 It was agreed that WG3 would report back to PSCCF with its action plan in September.
- 3.27 During the ensuing discussion, it was observed that there was a perception that client ownership in departments was not strong, the result of so much construction procurement work being devolved out to consultants. There was a view that this problem was a subset of the wider issue of generic skills such as project management and project strategic control and, whereas the Senior Responsible Owner was well catered for in terms of training, Financial Responsible Owners were not and that there was, possibly, a need to build up expertise within departments while slimming down reliance on consultants.
- 3.28 This view was supported around the table. The points were made that the divorce of the end user from the procurement process in PFI/PPP had exacerbated the problem and that the need for client leadership had been an ongoing feature of reform agenda since the 1994 Latham Report. A different approach that might pay dividends was suggested – eg the introduction of some sort of ‘accreditation of advisors’ regime.
- 3.29 It was noted that there was a view that consultants do not sufficiently understand the need to involve stakeholders. OGC agreed that the SRO and FRO were fundamental but that the Project Sponsor role was absolutely vital.
- 3.30 In conclusion on this agenda item, Sir Christopher confirmed the PSCCF’s endorsement of WG3’s initial proposals for their future work but also the Forum’s exhortation to be as wide-ranging in their analysis of the issues as possible in order to inform their eventual recommendations.

4. Agenda item 4: Strategy for handling other priority issues not addressed by current PSCCF working groups

- 4.1 PSCCF were reminded that, at the December meeting, there had been a short discussion about how and when other pressing issues affecting construction procurement – aside from those now being addressed by the three working groups - would be considered/managed by PSCCF. The issues identified at the first meeting were: sustainability – including energy, health & safety, all of the FKM recommendations, Partnering, PFI bid costs and ‘flexibility of use’. One further issue had subsequently been introduced, that of Project Insurance, which is linked to Fair Payment and Project Banking.
- 4.2 PSCCF agreement to proposals for managing this wide-ranging, important agenda were sought. The recommendations before PSCCF were:
- That PSCCF should be kept abreast of issues impacting on construction procurement by way of a ‘Standing agenda item/bulletin’ – this would provide a watching brief on issues such as sustainability and project insurance;
 - That the existing PSCCF Working Groups should be employed to ensure that issues such as health and safety and the FKM recommendations are addressed; and
 - That a fourth working group should be established later in the year to consider best practice procurement approaches, which would take in Partnering, PFI etc.

- 4.4 While generally supportive of the recommendations, there was some discussion about the need for a fourth working group. After some discussion it was agreed that that the best practice procurement approaches issues work would become the responsibility of WG3 Better Embedding of Best Practice Group.

5. Agenda item 5: Industry representation on PSCCF

- 5.1 Essentially, PSCCF were asked to decide about how the supply-side of the construction industry should be represented on the group. In so doing, PSCCF was asked to note industry representation already in place on its working groups.
- 5.2 After some discussion about the pros and cons of various modes of representation, PSCCF concluded that Don Ward, Chief Operating Officer of Constructing Excellence, who was also a member of the Local Government Task Force, should be appointed so as to provide an unbiased and strategic voice for the supply-side of the construction industry as a whole.

6. Agenda item 6: Bulletin/Update (standing item)

- 6.1 This is to be a standing item on the PSCCF meeting agenda in future and is largely for information, to bring to members' attention any relevant, current issues, procurement intelligence and information potentially affecting the work of PSCCF.
- 6.2 Among other matters, Fair Payment/Project Bank Accounts was discussed. It was agreed that there was a need for a well set up working party with an impartial chair to develop the concept of project banking, which OGC supported. Archie Robertson said that this issue was of particular concern to the Highways Agency and that he would be happy, if approached to be involved and to chair if asked.
- 6.3 PSCCF supported the notion of the formation of such a working group and welcomed Archie's offer.

7. Agenda item 7: Unsolicited offers of help

- 7.1 Several unsolicited offers of help/assistance that had been received on behalf of PSCCF and would be shared with the WGs were outlined for members' information.
- 7.2 Members noted the offers and agreed that, at some point in the future, it was inclined to take up the offer of a round-table discussion with some private sector clients about collaborative working to share experiences of good practice.

Agenda item 8: Any other business:

a) Proposal for circulation/sharing of PSCCF Minutes

- 8.1 Proposals for the circulation of the PSCCF minutes and /summary note were outlined to the meeting and members' agreement was sought for this to be the pattern in future and that members would be comfortable for OGC to use its discretion in this matter.
- 8.2 The meeting agreed but PSCCF Secretariat was asked to check that this proposal was in line with FOI requirements.

b) OGC Smarter Construction event proposals

8.3 OGC Smarter Construction's plans for two conferences during 2006-2007, which could either be badged as OGC or PSCCF events, were outlined: the first, planned for September would present on Demand and Capacity issues and the second in February/March would cover whole-life cost areas. The meeting was also informed of plans for a presentation on the work of PSCCF and its WGs to professional institutions at ICE in October.

c) Misc.

8.4 The issue of PFI bid costs, that had been raised at the first meeting was raised again as an issue that it was considered should be addressed. It was agreed that this issue would be considered as part of the working group looking at best practice procurement approaches. PSCCF noted that HMT had just published a second PFI document 'PFI: strengthening long-term partnerships', which might help. It advocates 'maturity of projects', ie well defined and specified requirements, before they are sent to market.

9. Agenda item 9: Next meeting date

9.1 Sir Christopher reminded members that the date for the next meeting is 19 June 2006, at 10am in Trevelyan House.

PSCCF Secretariat

March 2006

Present**Departmental
Members**

Sir Christopher Kelly Jas Hundal	PSCCF Chair Deputy Director of Environment	Nottinghamshire County Council
Margaret Lovett Observer	Head of Quality Services	DTI
Barbara Moorhouse Mukund Patel	Director General Finance Head of Schools Capital Assets	DCA DfES
Jim Price	Head of Professional Services	South West Regional Development Agency
Stephen Rice	Director Operations North	Ministry of Defence, Defence Estates
Oliver Robbins	Head of Directorate Corporate and Private Finance	HMT
Archie Robertson Richard Simmons Steve Trueman	Chief Executive Chief Executive Director of Procurement and New Ventures	Highways Agency CABE Housing Corporation

OGC

Martin Sykes David Adamson	Executive Director Director	Smarter Procurement Smarter Construction
John Ioannou Simon Robinson Observer	PSCCF Executive Officer Assistant Director Head of Strategic Supplier Management (Construction)	Smarter Construction Supplier Relations
Charlotte Madum Observer (Part meeting)	WG1 First Kelly Market Executive Officer	Smarter Construction
Phil Heenan Observer (Part meeting)	WG2 Whole-life cost Executive Officer	Smarter Construction
Anthony Ng Observer (Part meeting)	WG3 Better Embedding Executive Officer	Smarter Construction
Jennifer Stonehouse	PSCCF Secretariat	Smarter Construction

Apologies

Sally Brooks, Head of Schools Capital & Buildings at DfES
 Roger Latham, Chief Executive of Nottinghamshire County Council
 Vice Admiral Peter Dunt, Chief Executive MOD Defence Estates
 Elizabeth Whatmore, DTI Director Construction
 Steven Douglas, Deputy Chief Executive of The Housing Corporation
 Peter Coates, DoH Deputy Director Finance-Investment
 Ed King, DoH Capital Investment Team