

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

11 December 2008

OGC, 1 Horse Guards Road

Attendee's name	Title	Dept/Organisation
External		
Dame Mavis McDonald	PSCCF Chair	
Vice Admiral Tim Laurence	Chief Executive	MOD DE
Andrew Smith	Chief Executive	Hampshire County Council
Jim Price	Head of Professional Services	SWRDA
John Aspinall	Director for Estate Capacity	MoJ
Richard Simmons	Chief Executive	CABE
Alan Jones	Schools Capital Division	DCSF
Denis Walker	Director Construction Sector Unit	BERR
Peter Sellars	Assistant Director	DoH
Steve McGuckin	Development Director	Land Securities
Don Ward	Chief Executive	Constructing Excellence
Trevor Hursthouse		Strategic Forum for Construction
Kamran Quadri	Policy Analyst	HM Treasury
OGC		
William Jordan	Chief Sustainability and Operating Officer	OGC
Mike Greatwich	Commercial Delivery Director	OGC
John Ioannou	PSCCF Executive Officer	OGC
Phil Heenan	PSCCF Secretariat	OGC
Mike Burt	Director, Govt Estate Transformation	OGC
Apologies		
James Wates	Chair	Construction Confederation
Richard Hill	Director of Investment	Homes & Communities Agency
Graham Dalton	Chief Executive	Highways Agency
Sally Brooks	Head of Schools Capital	DCSF

Agenda item 1: Welcome and introductions

1.1 Dame Mavis welcomed members and, in particular, welcomed John Aspinall, MoJ, and Trevor Hursthouse, representing SFfC, both of whom were attending the PSCCF for the first time .

1.2 Apologies had been received from the newly-formed Homes & Communities Agency, which, unfortunately, had not been able to field a representative for this meeting but would be attending subsequent meetings in 2009.

Agenda item 2: The Construction Category Strategy

2.1 Mavis reminded PSCCF of the discussion in September and that PSCCF had asked OGC to prepare a draft paper to outline the proposed construction category strategy. She invited Mike Greatwich to present the proposal.

2.2 Mike made a short presentation and handed out copies of his slide pack. He explained the concept of a category strategy and that, in the case of construction, it was proposed that this would build on the good work of PSCCF to date. Such an approach would be informed by an analysis of spend and those existing KPIs that measure achievement, in order to demonstrate the value already delivered and identify potential opportunities where further embedding of good practice and collaboration could help to deliver further value to government as a whole. This generic principle was applied to each significant category of expenditure. Within government such activity was normally developed and taken forward by a Category Board consisting of the appropriate major clients. PSCCF was already effectively a form of category board and is unique in this respect in that it already has suppliers input; a category approach may want to develop that involvement still further. It had been recognised that a large proportion of government's

spend on construction happened at local level – particularly in the education and health sectors – and now OGC's remit had been extended to also cover local government in order to reflect that.

2.3 Mike emphasized that the draft proposal was still at an early stage and represented progress to date but that he would welcome comment on its broad direction of travel so it could be developed into something the PSCCF would be content to sign up to. He drew out the fact that although the draft document stated some illustrative monetary values for this work, it was important to stress that this was about more than that, in that it was about value to the business and that had to include benefits in the round.

2.4 Similarly for supplier input the paper presently floats ideas and that the suppliers, themselves, may have other ideas.

2.5 He drew the distinction between the earlier 'Kelly' work on market shaping and that the proposal was not about the development of new best practice, but embedding existing best practice and measuring that embedding whilst demonstrating the benefit generated. It could be that progress in this becomes a partly self-measured process, say, using a maturity matrix.

2.6 Caution would be needed to minimize the need for further management information by use of existing and careful consideration of what further is necessary in order to drive the delivery of benefits.

2.7 The draft strategy presently identifies 4 work streams:

- **Achieving Excellence** – the value of benefits achieved and potential value still to be achieved.
- **Fair Payment** – implementation is happening, there are plans to assess future benefits, and signs are that there will soon be greater use of Project Bank Accounts.
- **Market analysis** – up and running and, while not perfect, already allows more informed decision-making.
- **Project insurance** – the need to consider what's best for a particular situation and the potential benefits (particularly in terms of integrated working and commercial relationships) that may flow from use of PI.

2.8 It was emphasized that the KPIs shown were illustrative only and that there could be many other activities that could potentially deliver such benefits. However the aim would be for there to be one methodology that all clients can use. Members were invited to comment on the draft KPI table - both on what's there and what's missing.

2.9 William emphasized the background context to the draft strategy and its fit with Governments Operational Efficiency Programme (OEP). He also gave a brief summary of recent discussions held with CBI representatives at Number 10 and pointed out that the Category Strategy work offered a good route to progress issues emerging both in the OEP and from the CBI.

2.10 PSCCF was concerned by the breadth of the agenda and the practicality of delivering it with limited resource. In subsequent discussion it was acknowledged that it would benefit from narrower focus - with fewer associated KPIs - and that this could be achieved by prioritisation once clearer understanding existed of the potential benefits that could be targeted. It was also acknowledged that the illustrative KPIs were presently dominated by savings and that, in reality, a better balance needed to be struck between all of the benefits generated for the business such as timeliness, quality of design or how sustainable the facility will be.

2.11 It was recognised that industry, particularly in the present economic climate, is keen to shorten the timescale between projects' inception and delivery and that, without this, industry would likely shed further capacity. The relevance of the procurement strategy in achieving this was discussed and, especially, the use of framework arrangements which are often seen as a relatively low cost means of implementing individual procurements reasonably quickly. Members attention was drawn to the fact that, in some sectors, the degree of choice for procurers may be reduced although in other sectors are not keen on such an approach. The meeting was reminded that procurement approaches had been considered separately by Working Group 5.

2.12 It was pointed out that Facilities Management doesn't come out strongly in the draft strategy document; although relevant KPIs in that area would normally be considered part of a building's performance in use, rather than its construction.

2.13 The implications of PSCCF becoming, effectively, a Category Board were discussed. In particular this would mean that PSCCF would own and implement the strategy. This was agreed although the precise mechanism would be determined at a future date. It was noted that the draft strategy proposed that a supplier group should also be established.

2.14 Members agreed with the 'direction of travel' of the draft strategy and acknowledged that it was ambitious, especially as embedding best practice within organisations had not previously proved to be easy. It was accepted that organisations could only work with the resources available to them and that decisions on priorities would likely be taken on the basis of their ROI.

2.15 Dame Mavis summed up the points agreed:

- PSCCF agrees that a strategy is needed and agreed with the 'direction of travel' of the current strategy.
- That it should focus on priorities, using a small number of KPIs to assess performance (ie not just based on £s); sustainability needs to be covered; as does data on both commitment and spend.
- OGC would recast the strategy to take account of comments made and would welcome further comments from PSCCF members or nominated representatives. OGC would also seek to involve CLG in future discussions.
- A further developed paper would be presented to PSCCF at its March meeting.

PSCCF were told of Nick Raynsford's proposal to take it to the Strategic Forum for Construction, and no objections to that were raised.

Action: OGC to discuss proposed strategy with CLG and SFfC.

Agenda item 3: The Construction Commitments

3.1 Mavis thanked those members that had provided a brief summary of facts on their department's progress in implementing the Construction Commitments. It is important that government is able to demonstrate that it is playing its part in the industry improvement agenda. Mavis asked those departments that had not yet responded to prepare their short summary by the end of January 2009.

Action: All Depts that had not already done so to prepare summary of implementation.

3.2 There is appetite for hearing feedback on other organisations' measurement and the effect that the Commitments' implementation was having.

Agenda item 4: Forms of Contract

4.1 John Ioannou introduced Paper 11 and gave some background to the issues raised. The review carried out by Arup had concluded that significant progress had been made by the contract authoring bodies and that the contracts reviewed (JCT Collaborative Form, PPC2000 and NEC3) could now be considered compliant with the principles of AE. The point was made that use of non-collaborative forms should be resisted.

4.2 In discussion, PSCCF confirmed the value of a common form of contract. Members are keen to move towards standardisation on use of a single suite of contract forms. There was a strong view that proliferation of forms of contract should not be encouraged. At present members supported the ongoing endorsement of the use of NEC3 by public sector construction procurers. It was noted that organisations that had yet to complete their transition to NEC3 were keen not to change this overall approach; over time they, too, had the intention to migrate to that form. OGC undertook to copy the full report from Arup to members.

Action: OGC to distribute the full report.

Agenda item 5: The potential appointment of a Chief Construction Officer within Government

5.1 Denis Walker provided a brief update: The government had responded to the Business and Enterprise Committee's report *Construction matters*. Government had made a commitment to consult

informally on the principal recommendation that government should appoint a Chief Construction Officer (CCO) to address the fragmentation in policy and procurement. It is envisaged that the consultation document will be ready by Christmas.

5.2 A link will be provided to the select committee's report, the government's response to it and the associated press release.

Action: OGC to provide link.

Agenda item 6: Summary information paper

6.1 Members noted the interim market analysis. It was reported that some suppliers were wary of the potential for clients to use the market conditions to pursue procurements based on lowest cost. OGC asked for any evidence of this to be brought to its attention.

6.2 Members noted appropriate extracts of the Pre Budget Report that dealt with government's plans for further investment. DCSF believed that the increased commitments within the education sector are achievable and stated that it is confident that the primary education programme will get underway as intended.

6.3 It was acknowledged that the list of environmental targets that had been circulated reflect central governments existing commitments and that further targets, such as those for housing, had are not presently included. It was suggested that OGC should share the more detailed Action Plan and keep the list under review in order to capture further relevant targets that may be identified.

Action: OGC to provide link to government's existing Action Plan for achieving environmental targets.

6.4. Progress of other activities. OGC considered that the Whole-life VFM guidance should be published in January 2009. OGC reminded PSSCF of the need for members to nominate potential projects for consideration as pilots for project insurance.

Date of next meeting

This will take place at OGC's offices on **19 March 2009** at 2:00pm.

PSSCF Secretariat