

Construction Scotland/ Scottish Government Leadership Forum

15 August 2019

Conference Room B, St Andrews House, Edinburgh

Note of Meeting

Present:

Scott Bell - Deputy Director - Procurement Development and Construction Division, SG

Grahame Barn – Industry Leadership Group Member, Construction Scotland

Bruce Dickson – Industry Leadership Group Member, Construction Scotland

Ron Fraser – Executive Director, Construction Scotland

Ken Gillespie – Chair, Construction Scotland

Ian Gilzean – Chief Architect, SG

Jamie Kennedy – Head of Contracts (Major Projects), Transport Scotland

Brendan Little – Portfolio Manager, Collaborative Procurement, SG

Ainslie McLaughlin – Director of Procurement and Commercial SG, Chair of the Forum.

Graham Porteous – Head of Construction Procurement Policy Unit, SG

Colin Proctor – Director, SFT

Peter Reekie – Chief Executive, SFT

Mark Turley – More Homes Division, SG

Apologies

Mary McAllan – Director for Economic Development, SG

Richard McCallum - Deputy Director - Health Finance and Infrastructure, SG

Alan Morrison – Capital Accounting and Policy Manager, SG

Michelle Rennie - Director of Major Transport Infrastructure Projects, Transport Scotland

Dermot Rhatigan - Deputy Director for Manufacturing and Industries, SG

Richard Rollison- Interim Director of Economic Development, SG

Deborah Smith- Deputy Director, Organisational Continuity Team, SG

Welcome & Apologies

The Chair welcomed the delegates to the meeting. The previous note was accepted as a true record, with some minor changes agreed to the titles of some of the members.

An Update was given on each of the sub groups, all three of which have now had one meeting.

Sustainable Pricing Sub- Group:

A paper was circulated to the members of the sub- group, detailing work done with organisations who have used some form of average price scoring in their tenders.

The purpose of this paper was to propose that there be a dis-incentive to undercut on price (to secure tenders), by limiting the effect of the proportion of marks that are assigned to price/quality. There was also consideration of re-defining what an Abnormally Low Tender looks like, in terms of construction, taking into account the profit margins of the industry and utilising intelligence from the industry.

One issue that was highlighted was the issue of the lowest priced tender always being awarded the 'maximum' score on price, whilst the tender that scored highest quality score did not always achieve the 'maximum' score on quality.

The paper also considered the definition of 'quality' as well as considering the effects of different price/quality ratios. It was noted that Transport Scotland had trialled a graduated pricing model with some success- details of which could be shared amongst members.

It was also noted that any approach to pricing needs to consider the need for a sustainable industry and tease out question of deliverables against delivery, in any rating of 'quality'.

The group also felt that it was worth investigating the legal advice that various contractors had got to support their scoring on price/quality.

Regarding Brexit, the group discussed that since EU rules are grounded in WTO ones, which are in turn grounded in domestic legislation, any changes in procurement law will probably not be immediate.

The question was asked of whether the lowest price tender was always the most economically advantageous? Can "economically advantageous" be redefined- in terms of country, region, city etc.?

Scott will continue to move forward and drive progress in this area.

Actions:

- The Sustainable pricing Workshop will consider the circulated paper and feedback by 28 August. The next meeting then booked to discuss this.
- RIAS are currently looking at procurement and will feed any outputs into this group.

Frameworks Sub-Group

An update was given on the frameworks group meeting of 8th August. At the meeting, a paper on frameworks from CECA had been presented, which had provided a helpful starting point.

Brendan Little informed the group that he will communicate across the public space (Local Authorities, Transport Scotland etc.) He has also been considering the content of the CECA paper and data on public sector integration.

It was stated that there had been many aspirations and requests regarding the makeup of potential frameworks – more than the Government was likely to be able to fulfil, however Brendan is compiling all of these, with the intent to share, to ensure transparency.

Governance was discussed, consideration is being given to whether this should fall to the public sector or to public/private sector partnership? If so, then there will need to be careful consideration of the ‘partner’.

It was also noted that lots of people are going to non-Scottish frameworks and that there is a need to consider the totality of civil engineering & building. Civil Engineering was felt to be the ‘first step forward’- there is a need to get strategic thinking together about buying everything in ‘one place’.

The group agreed that work on ‘building’ frameworks would be taken into a separate discussion forum, which would discuss the setting up of these, etc.

It was stated that Construction Scotland have put together their own working group looking at both Civil Engineering and Building frameworks. The aim is to draw out ‘best practice’ to understand what ‘good’ looks like, in the context of factors such as innovation. There is also a need to understand why some contracting authorities are using the frameworks that they do.

The group agreed that proper planning of any frameworks was essential. It was noted that offsite manufacturing should also be a consideration. There is a need to confirm the program of work and look at a subsequent ministerial announcement.

Actions:

- Working group on building frameworks to be set up. Consideration to be given (in due course) to a Ministerial announcement.

Quality Sub-Group

The group were advised that the first workshop on quality had been held earlier that week. It was reported as a positive engagement, looking at ideas of bringing in an improvement methodology. The Collective aim/ core purpose had not been concluded at the meeting, but would hopefully be agreed at the next meeting, scheduled for 4-6 weeks’ time.

It was noted that there is a need to ensure that quality is achieved in a sustainable way for the industry, it not just about the individual building/ design. The group considered that it is also worth looking at all of the things that support and enable sustainability, not just at the ‘sustainability’ itself.

It was stated that Quality links into each of the other sub-groups. To this end, a handout was shared with group, showing interdependencies. It was proposed that the next step was to look at the drivers behind this.

There was discussion of getting a statement/ press release out from group (or industry themselves) on quality, including things the group are doing. It was agreed

that Ron Fraser would make the first attempt at this, for people to consider. It was noted that a holistic approach was essential – outlining the path for industry to take to achieve acceptable quality.

Actions:

- Ron Fraser to draft a statement for members to consider.

Follow up on Actions of Previous Meeting:

Scott Bell informed the group that work around a ‘warning’ on the Public Contacts Scotland portal, regarding tenders with a zero ‘quality’ score has been signed off, but not yet implemented. The group will be continue to be updated on this

Greg Walker gave an update on tracking economic leakage. He informed the group that current data collected by the SG was unable to show the level of detail that Construction Scotland were looking for and that specific research and detailed interrogation of existing data would have to be commissioned, He added that it may be helpful if CS could provide specific instances of where leakage had occurred.

It was stated that although tracking economic leakage may not be viable as originally envisaged, was there perhaps a way to model ‘what ifs’ based on data, to see how different pricing models affect the outputs, as well as ‘incidents’, such as the main contractor failing, or a new entrant putting in a ‘suicide’ bid, etc.?

The delegates discussed many different aspects, such as considerations of SMEs and the setting of KPIs on quality. An Action agreed was for all delegates to go away and consider this further.

Actions:

- Members to consider further the tracking of ‘economic leakage’.

Future Plans:

The group considered at this time it may be best to concentrate on current business, but be live to the any issues coming their way, such as climate change, etc.

AOB:

Offsite manufacturing was identified as an area that it would be advisable for the group to follow closely.

Next Meeting:

Next meeting to be held on 19 November 2019, Room B, St Andrews House, 14:00.