

North Wales Construction Framework 3 (NWCF3)

Future of the Framework

Business Case for the renewal of the North Wales Collaborative Construction Framework

February, 2023

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INTRODUCTION

This paper presents the achievements of the existing collaborative construction framework with options of how we propose to renew the framework for the next strand of construction projects across North Wales. The paper presents the outline procurement strategy together with the resources required to fund and manage any new arrangements.

PART 1 – EXISTING FRAMEWORK

BACKGROUND

The NWCF was the first generation of Collaborative Frameworks in the region. It was instigated by the Welsh Government to aid the delivery of the 21st Century School Programme, now superseded by Sustainable Communities for Learning Programme, in North Wales and was collaboratively developed by the 6 North Wales Local Authorities (NWLA) lead by Denbighshire and Flintshire.

The NWCF was established to deliver value for money and the benefits associated with a long term collaborative relationship. We undertook a unique approach of early engagement with clients, contractors and construction bodies via workshops that helped us to define its structure.

It was built on an ethos of openness, transparency and flexibility achieved by continuous communication and engagement with stakeholders through our Forums and special interest groups (SIGs). These have been invaluable in ensuring that common processes and tools have been established and implemented across the framework for the benefit of the individual projects and ultimately the clients. The SIGs enable us to improve understanding and delivery of Building Information Management (BIM), Community Benefits, Net Zero as well as Collaboration and Standardisation.

Outcomes from the SIGs include:

- Building an environment that facilitates Trust culminating in an open transparent relationship
- Delivery of Targeted Community Benefits and Social Value
- Upskilling of Clients and contractors, including their regional Supply Chains,
- A better understanding of BIM processes and the development of tailored Employers Information Requirements.
- Fair payment practices form part of the framework to ensure that the supply chain members are also paid in line with these practices.
- Test new initiatives in the region and disseminate lessons learned such as Project Bank Accounts
- Performance and achievements are monitored through an established set of KPIs across the Framework projects which are regularly reviewed with the aim of improved performance.
- Case studies are part of the process of sharing good practice and knowledge.
- The Early Contractor Involvement, two stage procurement and the use of collaborative forms of contract (including NEC Option C), are actively promoted.

Current Framework lotting strategy

Lot	Project value bands	Contractors on the Framework	Type of Works
1 E	£250K > £999.999K	MPH Construction K & C Construction Garnett Hughes Developments Gareth Morris Construction T G Williams Builders OBR Construction NWPS Construction Williams Homes	<ul style="list-style-type: none"> • Primary schools; • secondary / high schools; • sixth form / further education facilities; • early years / nursery / day care facilities; • special educational needs and learning facilities; and • higher education facilities. • leisure facilities; • council and other Public sector offices; • visitor centres; • storage buildings; • community facilities; • emergency services; • health facilities; • custody facilities; and • extra care facilities. <p>The Framework will not cover the procurement of development agreements and wider social housing construction or refurbishment, but could include elements of social housing or supported accommodation facilities, particularly as part of the mix use or integrated services.</p>
1 W	£250K > £999.999K	MPH Construction K & C Construction Garnett Hughes Developments Gareth Morris Construction T G Williams Builders OBR Construction NWPS Construction Williams Homes TIR Construction	
2	£1m > £1,999.999m	MPH Construction K & C Construction Wynne Construction Read Construction Gareth Morris Construction NWPS Construction Williams Homes	
3	£2m > £5,499,999m	Wynne Construction Read Construction Seddon Construction K & C Construction	
4	£5,500m > £9,999,999m	Wynne Construction Read Construction Seddon Construction	
5	➤ £10m	Kier Construction Wates Construction GallifordTry Building NW Willmott Dixon Construction	

Impact of the existing framework

The Framework has significant impact on the way major projects are procured in North Wales, reducing the cost and time of the procurement exercise and introducing a more collaborative way of working with the private sector resulting in a less adverse relationship.

The framework's biggest impact is on the delivery of Community Benefits, Targeted Recruitment and Training (TR&T), Supply Chain development and management of the environmental impact, delivering in line or above industry standard in each individual project.

The Framework actively supports both clients and contractors in the development of the Building Information Management (BIM) understanding and Net Zero carbon reduction.

All of the above working practices are embedded within the Framework working processes

ACHIEVEMENTS

The existing Framework has delivered to March 2023 a number of benefits as below

Work placements in education	47
Work placements not in education	28
Persons while employed as apprentices	55
Persons previously unemployed	28
Jobs created for graduates	3
Careers events - not in education	45
Training weeks for New entrants apprenticeships	1749
Training weeks for New entrants Traineeships or equivalent	149
Training weeks for New entrants technical or higher level qualifications	346
Qualifications Achieved - main contractor	72
Qualifications Achieved - subcontractor	31
Short duration courses - main contractor	346
Short duration courses - Subcontractor	56
Training Plans	56

- 1833 school pupils involved in engagement events
- 45 Community engagement events
- On average, 65% of the construction supply chain comes from Wales with 34% within the LA postcode.

Income and Savings

- Income generation of £80,400 to offset against the Framework management cost for attracting new clients to use the Framework as been achieved through the current iteration. NWCF3 will be seeking other fund avenues to deliver regional engagement and training.
- A competitive procurement process following a full EU procedure costs an average of £45,200 a significant reduction to this cost has been achieved by both clients and contractors by avoiding individual procurement.

In order to realise the full benefits of having a regional Framework in place we joined the National Association of Construction Frameworks becoming the first welsh partner. This has enabled us to exchange knowledge with our counterparts nationally.

PART 2 – PROPOSAL GOING FORWARD

PROCUREMENT STRATEGY AND PROPOSED CHANGES

We proposed to reprocure a NWCF3 Framework applying the lessons learnt and addressing its shortcomings to improve its operation and delivery and enhance value and increase beneficial outputs from the framework activities. For Denbighshire County Council to continue to be the lead authority and host the Framework Management Team.

The recommendation is to renew the NWCF with a revised scope outline above based on the lessons learnt on the existing Framework.

See appendix 1 – ‘Initiation of Project for the Procurement of NWCF3’ for details.

The other four options were considered were:

1. Let Framework expire and authorities to choose the way they want to move forward
 - a. LA have now acquired a consistent approach to delivering major projects, the expertise created will be lost, the use other options could be more costly and time consuming.
2. Renew the Framework exactly as it is now
 - a. We would fail to incorporate the lessons learned and improvements generated by the first iteration, however we will have more certainty on cost and use expertise acquired. It may not be sufficient to deliver the type of projects that the Sustainable Communities for Learning Programme Band B will require.
3. Let another authority take the lead
 - a. Willingness of another LA to take the Lead against backdrop of efficiency savings.
4. Tap into other existing Frameworks
 - a. Cost and locality agenda may not be met, we wouldn't have control over the mini tender process and management of the Framework. Inconsistent CB and SVA activity and not aligned to WG policy and drivers.

High Level Strategy of NWCF3

A Collaborative and integrated framework, building on the foundations of a successful NWCF 2 harvesting benefits and savings from use of technology, improved processes, collaborative working, supply savings and efficiencies through fairness, transparency and competitive collaboration on projects.

- Maximising local community impact through SME engagement and intelligent quality based selection and clearly defined targets and benchmarked performance.
- A strong commitment to supporting and developing the local supply chain through training and best practice sharing
- Finding market gaps and encouraging companies to backfill those gaps.

- Working alongside supporting agencies and education establishments providing avenues for training, development and directing them to funding available to upskill Local SMEs
- We will align our outputs to the Well Being of Future Generations Act measuring the Framework and project performance in line with the Act.
- Fair payment practices are and will continue to be built into the Framework as well as the commitment to train and develop future generations and promoting sustainable development.

We are committed to exceeding the performance and outputs from NWCF2, with enhanced value for the Customers, Stakeholders and communities.

The Framework successfully attained CITBs accolade of National Skills Academy for Construction (NSAFC) enabling each of the Council's on the Framework to use the methodology for the monitoring and delivery of Community Benefits.

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The NWCF3 will continue to maximise the benefits delivered by projects to the local community. The following considerations will be sought through a community benefits plan submitted by the contractors. It is proposed that the training and employment element of community benefits has a core approach and other elements be non-core and these will be set out in the terms and conditions in the individual contracts and the framework management will ensure sound contract management to deliver the wider benefit's

Each local authority will determine their own specific needs to ensure the contract conditions for each project specify are relevant. This allows flexibility in the process and can be tailored to each specific project and local authority's needs, whilst delivering the community benefits from this investment across the region.

Supporting the reduction of carbon emissions from Council assets through the delivery of new and refurbished buildings. It will also contribute to the adoption of Zero Carbon initiatives that enable procuring bodies to manage the carbon footprint of their asset, as well as providing training to Clients and the Supply chain. Introducing a mechanism to identify baseline carbon emissions from its Contractors, reviewing the annual reduction targets of their main contractors including their supply chain and reviewing their performance against achieving Net Zero Carbon

Being the "go to" procurement solution for public bodies in North Wales.

Project Pipeline

Whilst the exact detail of the anticipated spend is unconfirmed, Government spend projections and extrapolation of the performance of the NWCF2 indicate that a likely spend of some £400m is anticipated.

Adjusting for growth from the planned Business Development activity the OJEU will be issued with a ceiling value of £600m.

Proposed Changes

Tender

- Simplifying the tender documents and rationalise the quality questions (tailored set of questions for lower value bands proportional to the value)
- Proposed lotting strategy agreed by Operational Management Board (this may alter when Band B projects are known)
- Consider having contractors on a reserved list
 - With a busy market in the region give us the opportunity to ensure we always have a minimum number of bids
 - Gives companies that were close to the mark the opportunity to be part of the Framework Need to check the legalities of operating a reserve list in the event of continued failure of contractors to submit bids or in the event of withdrawal.
 - Ensure a minimum number of bids in each mini tender taking into account the conditions of the market.
 - Consider an effective strategy to manage this set of contractors to keep them engaged for four years.
- Included general social housing as a type of works.
- Include a direct award option across the lots, this will support clients when they are provided with short timeframes to allocate funding.
- Ensure that the financial criteria on which contractors are evaluated is proportional to the value of the works and lot that they are applying for.
- The upcoming Public Procurement Reform (UK) Bill and the Social Partnership and Public Procurement (Wales) Bill include obligations to deliver economic, social, environmental and cultural Well-being benefits. The Framework will incorporate these new obligations in addition to the Welsh Community Benefits toolkit.

Table 1 Suggested Lotting Strategy

Lot	Value	Maximum Contractors
Lot 1	£250K – £2m	Up to 10
Lot 2	£2m - £5m	Up to 6
Lot 3	£5m - £10m	Up to 6
Lot 4	£10m - £15m	Up to 6
Lot 5	£15m+	Up to 6

There we will have a up to 36 contractors in NWCF3 and up to 51 including the reserve list, a well-resourced Framework management team is paramount to its success.

In comparison NWCF2 has 16 contractors over six lots.

Framework Operation

The Framework is a collaborative vehicle to deliver construction projects across the public sector in North Wales there is no mandatory requirement to use it, as clients can choose their preferred procurement route, there is also no minimum spend requirement, however once the decision to use the Framework has been made, projects need to comply with the Framework Agreement.

- Governance – simplify governance arrangements and decision making
 - Opting for a Client Management Board with co-opt appointed members with particular expertise as when required (*similar to company board of directors with non-executive members requires shared sense of purpose and commitment from all involved*)
 - Simplified terms of reference with clear accountability matrix.
 - Reduction in the number of meetings with the decision making process more concise.
 - Targeted themes for improvement to be delivered through SIG's

- Mini Tender competitions
 - Standardise further the mini tender competitions set core questions
 - Q/P split to include Wellbeing Impacts (Social Value/Community benefits).

- Actively Marketing and promotion of the Framework
 - Get new clients for the Framework to become self-sustaining.

RESOURCES AND FUNDING

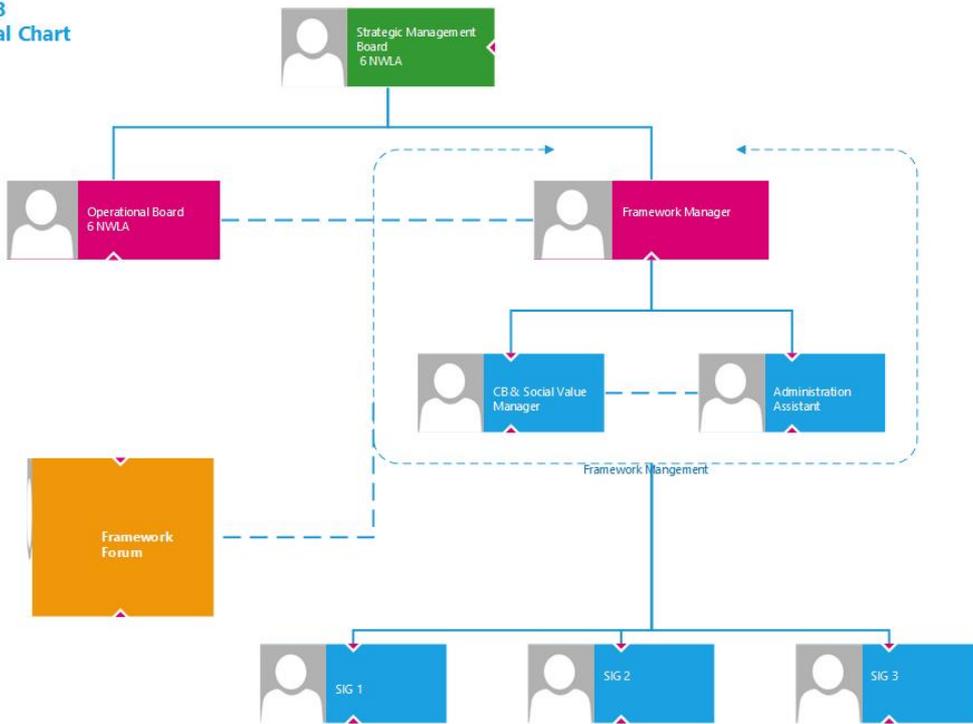
Framework Management Team

1 Collaborative Procurement and Framework Manager 0.5 FT

1 Community Benefits Lead Officer

1 Administration Assistant

**NWCF3
Organisational Chart**



FUNDING

The funding arrangements will change under the new framework arrangements. Under the existing framework, each partner authority contributes £15,000 per annum to support the framework management costs, with additional income generated from a framework access fee paid by other public sector organisations who use the framework.

Partner Authorities and Contractors

Under the new framework it is also proposed that each partner authority will continue to allocate £15,000 per annum, payable at the end of the financial year for the year just gone.

Fee rate for partner local authorities

LOT	Fee
1	0.35%
2	0.35%
3	0.25%
4	0.15%
5	0.12%
6	0.10% Up to £15m
7	0.08% £15m +

The income derived through this mechanism in a financial year will be allocated on an equal basis between the six partner authorities, and this sum deducted from the £15,000 annual contribution (i.e. each authority will be invoiced for £15,000 less their share of the income derived from the framework). The decision on the use or reallocation of any surplus income in the situation where the full £15,000 per authority has been recovered in a financial year will be subject to decision by the Strategic Management Board.

Over time the income generated should significantly reduce or even remove the requirement for the annual £15,000 contribution, but to ensure continuity between the new and old framework arrangements and to guarantee that the framework management costs can continue to be supported throughout the lifetime of the framework, the annual contribution will remain a requirement for partner authorities (subject to the “refund” arrangements detailed in the preceding paragraph).

Non-Partner public sector organisations

In the case where other non-partner public sector organisations access the framework, the following charging rate will apply:

Fee rate for non-partner public sector organisations

Lot	Project value bands	Fee
1	£250,000 - £1,999,999	£4,000
2	£2,000,000- £4,999,999	£5,500
3	£5,000,000 - £9,999,999	0.25%
4	£10,000,000 - £14,999,999	0.15%
5	£15,000,000+	0.12% Up to £15m 0.10% £15m +

Unlike the partner authorities, the non-partner organisation will not be required to contribute t £15,000 per annum, but equally will not be entitled to any future share of the income.

General arrangements

For both partner and non-partner organisations, the fee for a programme of work which is subject of a single client mini competition will be based on the aggregated programme value and not on the separate project values. If the programme of work is split into separate contractual arrangements for each project within it then the charge will be based on the relevant fee applicable to each project within that programme, and payable as soon as any contractual arrangement (including a pre-construction contract) is entered into for a project.

In all circumstances, in the event of a project stopping at the pre-construction contract (i.e. not progressing into a building contract) NWCH can recover the fee based on the value of a pre-construction contract on the basis of the fees set out below:

Fee rate for pre-construction charging

Value (£) of the Pre Construction Contract	Fee
1 - 250K	0.70%
251K - 500K	0.60%

This funding mechanism will fully resource the team to provide Framework management and support to meet the needs of the current strategy. This model will enable NWCF3 to operate efficiently and will make provisions to set up new procurement vehicles at the end of the cycle.
 Additional projects identified and using the framework over its lifetime will increase income.

Costs and resource of the Framework management structure

The below proposal seeks to ensure that the Framework is resourced adequately to manage the significant increase in the volume of works.

Staff cost	Annual Cost
Collaborative Procurement and Framework Manager 0.5 FT	£36157.00
Community Benefits Lead Officer FT	£46886.00
Sub total	£83043.00
Resource cost	
Admin Support	£16,000.00
Travel expenses	£ 3,000.00
Events and Marketing (request contribution from contractors when tendering the Framework)	£ 3,000.00
KPI tool	£ 5,000.00
Allocation for setting up next Framework	£20,000.00
Sub total	£47,000.00
TOTAL	£130,043.00

The Framework cost and the pipeline of works will be appraised on a bi-monthly basis to ensure that the cost does not exceed the budget proposed, in particular it does not exceed the contribution made by the NWLA. A half yearly report will be presented to the Strategic Management Board for direction.

PART 3 – DELIVERY ARRANGEMENTS

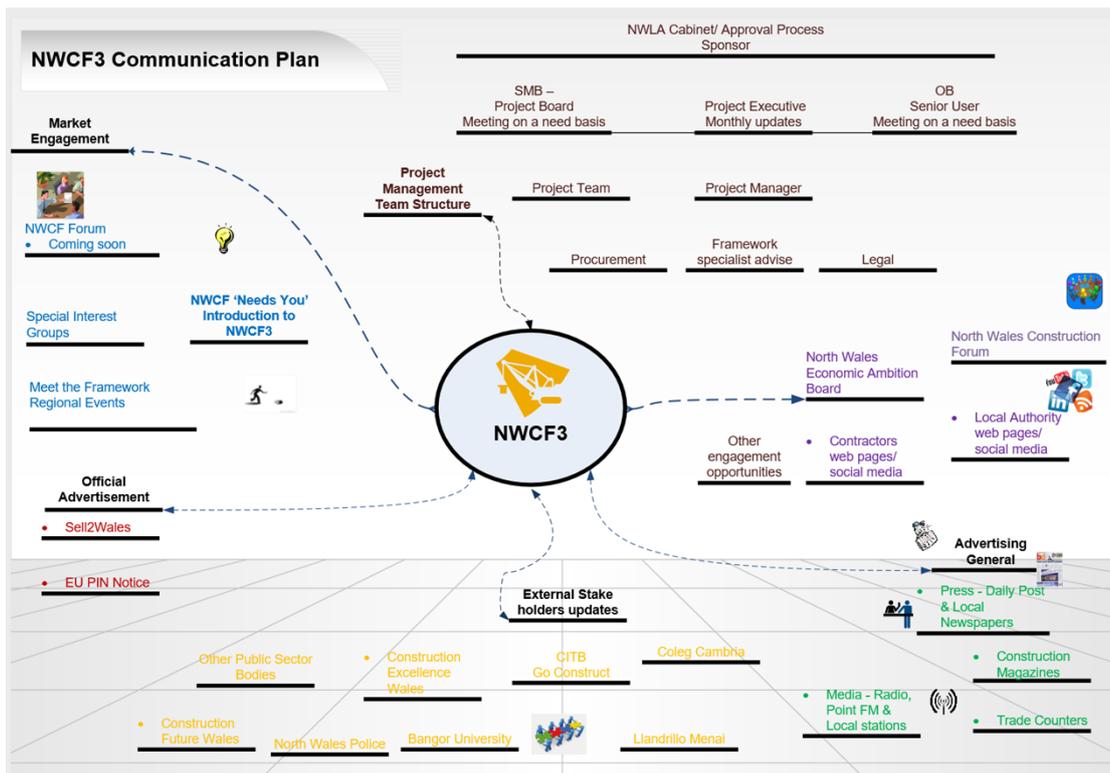
TIMESCALE FOR DELIVERING NWCF3

		Task Mode ▾	WBS ▾	Task Name	Duration ▾	Start ▾	Finish ▾
1			1	Project Brief and Start up	20 days	Fri 24/02/23	Thu 23/03/23
2			1.1	Approval to start up project	20 days	Fri 24/02/23	Thu 23/03/23
3			1.2	changes proposed report	20 days	Fri 24/02/23	Thu 23/03/23
4			2	Project initiation / Business case	46 days	Fri 24/03/23	Fri 02/06/23
5			2.1	Develop PID	20 days	Fri 24/03/23	Mon 24/04/23
6			2.2	Business Case Approval (NWLA)	20 days	Fri 24/03/23	Mon 24/04/23
7			2.3	Business case approval (SMB individuals to decide on internal approval DCC will make cabinet	1 day	Mon 22/05/23	Mon 22/05/23
8			2.4	Cabinate approval of BC	1 day	Thu 25/05/23	Thu 25/05/23
9			2.5	Consultation and approvals	5 days	Fri 26/05/23	Fri 02/06/23
10			3	Procurement Phase	183 days	Mon 05/06/23	Thu 07/03/24
11			3.1	PIN Issued on OJEU	1 day	Mon 05/06/23	Mon 05/06/23
12			3.2	Initial Approvals	1 day	Tue 06/06/23	Tue 06/06/23
13			3.3	▸ Legal input	15 days	Mon 05/06/23	Fri 23/06/23
16			3.4	▸ PQQ& ITT published	111 days	Mon 05/06/23	Tue 07/11/23
26			3.5	▸ Tender Award Stage	144 days	Thu 27/07/23	Wed 06/03/24
36			3.6	▸ Publish OJEU Contract Award Notice	1 day	Thu 07/03/24	Thu 07/03/24
38			4	Project Closure	5 days	Fri 08/03/24	Thu 14/03/24
39			4.1	Project Closure report/ handover to framework ma	5 days	Fri 08/03/24	Thu 14/03/24

PROJECT MANAGEMENT ARRANGEMENTS

The delivery of the new Framework Agreement will be managed by the Framework management team this will be the best way to ensure that the lessons learned are applied appropriately to the next reiteration. The Framework Management team will project manage the delivery of the new Framework and continue to managing current Frameworks.

Communication Plan



RISKS

The main risk identified is that local SMEs are not appointed onto the NWCF3. The project team (working with national trade bodies) aim to mitigate this by engaging with the market and ensuring that the proposed procurement vehicle is a fair and transparent model to all potential contracting organisations.

Unless changes are properly controlled, the time, cost and quality goals of the framework may never be achieved and our customer NWLA may not maximise their demonstrable delivery to Policy drivers such as, Social Value act, Well being agenda, BIM and delivering the Wales we Want.

- Welsh Government not funding projects, higher percentage claw back on grant conditions of those funded
- IAA not agreed by the 6 North Wales Local Authorities. (Governance structure, roles & responsibilities, accountability)
- Framework not being used by other public bodies
- Partners not commissioning due to economic climate
- Contractors not tendering for work
- Legal challenges on setting up next generation framework from Contractors as to procurement process followed
- Legal challenge from unsuccessful contractors
- Continuous improvement not meeting expectations due to number of contractors on lots and driving efficiencies
- Not achieving Value for Money
- Failure to measure & incorporate social value (community benefits) into framework commissioning & procurement processes
- Framework Management not properly resourced

- Clients and Contractors not fully engaged in Framework ethos
- Lack of practical application of Whole Life Cost (WLC) & Life Cycle Cost (LCC) into framework projects
- Lack of standard approach to construction procurement
- Increased framework management due to revised lotting arrangements and number of contractors involved

NWCF3 builds on NWCF2 successes and allows us to develop a more sustainable model into the future whilst reducing costs and driving value.

NWCF3 will embed lessons learned from NWCF2 and provide a collaborative vehicle harvesting benefits of scale and integration, whilst enabling local Customer aspirations and policies. The framework provides a vehicle to work in an All Together better way – reducing duplication and enabling common standards to be applied and efficiencies to be harvested.

The increased phasing in off user charging will reduce the framework cost to the stakeholders and enhance the value for the Client led activity whilst protecting the obligations attaching to transparent competitive procurement.

RECOMMENDATION

To establish a new collaborative framework that considers the proposed changes highlighted in Part 2 which will be funded by a contribution of £15k from each of the six authorities with any remaining costs to be funded via the non-partner clients. The cost of setting up the framework has been covered by the final year subscription of the 6 Local Authorities, with the annual running cost of the framework estimated at £83k per annum. Any shortcomings would need to be underwritten by the collective Authorities