

# National construction category strategy for local government

Effective construction frameworks

2020 edition



# Contents

1 Executive summary	3
2 Definitions	4
3 Introduction	6
4 Frameworks generally	7
5 Comparison of frameworks, alliances and traditional procurement methods for construction	9
6 Effective construction frameworks	15
7 Recent significant construction initiatives and developments	18
8 Recommendations	23
References	24
APPENDIX 1 - Collated framework performance	25
APPENDIX 2 - Features of an effective framework	27
APPENDIX 3 - National Association of Construction Frameworks	33

This document is for general information only, it is not exhaustive and it should not be relied upon as a substitute for either legal or professional advice.

The preparation of this report was led by East Riding of Yorkshire Council with support from National Association of Construction Frameworks partners and the Local Government Association.

# Executive summary

**1.1** This report concerns public sector construction procurement in England. It sets out the benefits for the public sector of collaboration through the use of framework contracts and highlights a number of attributes that are considered to be good practice leading to achievement of best value in construction procurement. It updates the 2016 edition of this report with the inclusion of developments and initiatives.

**1.2** Traditional procurement for UK construction has been widely viewed as being inefficient and wasteful and has been criticised by successive reviews of Government.

- A more integrated approach to manage the whole of the supply chain is generally considered to have significant potential to improve performance. Longer term arrangements, non-adversarial relationships, fewer suppliers, common incentives, integrated teams and the objective assessment of performance are typically seen as key aspects in this.
- Government construction strategy calls for an integrated approach.

Effective frameworks can offer distinct benefits over traditional procurement for projects by facilitating a more integrated solution based on continuing and closer relationships with a limited number of suppliers.

**1.3** The relevance and benefits of construction frameworks were considered in *“Effectiveness of Frameworks”*<sup>(1)</sup> (March 2012) by the Cabinet Office with support from National Association of Construction Frameworks (NACF) partners. The subsequent *“Final Report to Government by the Procurement / Lean Client Task Group”*<sup>(2)</sup> of July 2012 incorporated *“Effectiveness of Frameworks”*<sup>(1)</sup> and also recognised the importance of framework agreements and that effective framework agreements can deliver substantial benefits.

- Since then several further significant reports on the changing construction landscape have been published and key aspects from several of these are considered in this report.

**1.4** The Local Government Association (LGA) and NACF recommend that public sector organisations (subject to their own legal and professional advice) should:

- 1) consider the use of effective frameworks (including accessing existing frameworks, for example NACF frameworks) in appropriate cases;
- 2) adopt the principles established in *“Effectiveness of Frameworks”*<sup>(1)</sup> when procuring their own frameworks;
- 3) make the findings from *“Effectiveness of Frameworks”*<sup>(1)</sup> available to framework owners / managers to highlight the potential risks to effective framework agreements through poor practice; and
- 4) in their own future framework agreements address the core principles and key features of an Effective Framework – as detailed in Appendix 2 of this report.

The LGA working with NACF have put in place arrangements to enable proposed framework agreements to be assessed for compliance with the features of an effective framework in Appendix 2. An accreditation mark will be awarded to compliant frameworks.



## Definitions

**2.1 Frameworks** - means framework agreements as defined in The Public Contracts Regulations. The Public Contracts Regulations 2015 describe a framework agreement as:

*“...an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.”*

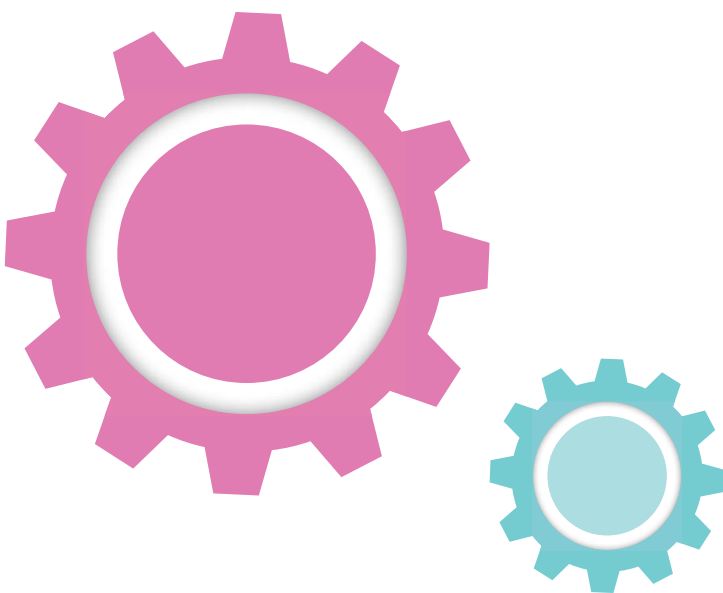
**2.2 Construction frameworks** - except where the context shows otherwise, means construction works frameworks (which may also include design and / or professional services elements).

**2.3 Traditional procurement** - refers to tendering all the terms for each project separately in a one off procurement exercise. Tenders are invited from all the suppliers that apply for the contract (open tendering), or by selecting a number of suppliers from a list of all the suppliers that have applied to be included on the list, except that:

- in either case the suppliers applying are normally required to comply with the contracting authority's minimum standards (for health and safety, equalities etc.) and any not complying are excluded.

**2.4 EU procurement rules** - includes the EU Procurement Directives, as implemented in domestic legislation by The Public Contracts Regulations 2015, related rulings of the European Court of Justice and other relevant EU law.

- At the time of writing details of the outcome as regards the United Kingdom leaving the EU including as regards procurement regulation are unknown. In the absence of further information this report relates to the current position under The Public Contracts Regulations 2015. However, The Public Contracts Regulations 2015 are likely to remain relevant during any transition period and beyond this a regime of a similar nature might reasonably be anticipated to apply to any future trade agreement between the UK and the EU with a similar but perhaps simpler regime for other trade evolving under World Trade Organisation (WTO) rules (retaining competitive procedures but without the same level of detail that has been transposed as a result of the 2014 EU Directives).
- LGA have requested that if any change occurs to the procurement regulations that they should be simplified, have more flexibility to promote local growth including using local contractors and local labour.



**2.5 The public sector** - refers to the entities included within the scope of contracting authorities under The Public Contracts Regulations.

**2.6 Public sector procurement** - refers to procurement by public sector entities for activities included within the scope of The Public Contracts Regulations.

**2.7 National Association of Construction Frameworks (NACF)** - means the association identified by this name comprising representatives of the owners of a number of existing regional construction frameworks. NACF “full members” at the time of writing are as follows:

- Midlands Highway Alliance
- North West - North West Construction Hub
- South East - Southern Construction Frameworks
- South West - Southern Construction Frameworks
- West Midlands - Constructing West Midlands
- Yorkshire and the Humber - YORhub
- Nationwide - Scape

Further details regarding the NACF are included in Appendix 3 and on the NACF website - [www.nacf.org.uk](http://www.nacf.org.uk).

This report relates to public sector construction procurement in England and references to NACF frameworks in this report refer to the construction frameworks of NACF partners in England only unless stated otherwise.

**2.8 NIEP** - refers to the National Improvement and Efficiency Partnership for the Built Environment unless stated otherwise.

**2.9 Local Government Association (LGA)** - is the national membership body for local authorities in England and Wales (via the Welsh Local Government Association) that work on behalf of member councils to support, promote and improve local government. LGA also operate an Associate scheme that includes fire and rescue authorities, police authorities and other organisations whose purpose and objectives are aligned with the LGA.



# 3 Introduction

**3.1** This report concerns public sector construction procurement in England and is presented to the LGA Construction Category Strategy Steering Group by the NACF; it compares construction frameworks, alliance contracts and traditional forms of procurement (where suppliers are procured for individual projects) and considers the benefits offered by effective construction frameworks. This report forms part of a family of documents linked to the “*National Construction Category Strategy – 2018 Edition*”<sup>(3)</sup> which is one of the four categories (construction, social care, energy and Information Technology) supporting the “*National Procurement Strategy for Local Government in England 2018*”<sup>(4)</sup>. It revises the 2016 edition of this report with the inclusion of new initiatives.

**3.2** Traditionally procurement for UK construction has been widely viewed as being inefficient and wasteful; it has long been criticised by successive reviews of Government from earlier initiatives such as “*Constructing the Team*”<sup>(5)</sup> by Sir Michael Latham in 1994, “*Efficiency Scrutiny into Construction Procurement*”<sup>(6)</sup> by Sir Peter Levene in 1995 and “*Rethinking Construction*” by Sir John Egan in 1998<sup>(7)</sup>, through to more recent reports such as the “*Final Report to Government by the Procurement / Lean Client Task Group*”<sup>(2)</sup> of July 2012. Longer term arrangements, non adversarial relationships, fewer suppliers, common incentives, integrated teams and the objective assessment of performance are generally seen as being key to improving performance, for example “*Rethinking Construction*”<sup>(7)</sup> (on page 5) refers to the following:

*“The industry must replace competitive tendering with long term relationships based on clear measurement of performance and sustained improvements in quality and efficiency”.*

**3.3** In line with such reviews Government promoted the development of regional construction frameworks in 2004 via Regional Centres of Excellence. These regional frameworks were subsequently linked into a national forum, the National Improvement and Efficiency Partnership for the Built Environment (NIEP); in 2013 the NACF took over the role of the NIEP.

**3.4** The relevance and benefits of construction frameworks were considered in “*Effectiveness of Frameworks*”<sup>(1)</sup> by the Cabinet Office with support from NACF (NIEP) partners. The subsequent “*Final Report to Government by the Procurement / Lean Client Task Group*”<sup>(2)</sup> incorporated “*Effectiveness of Frameworks*”<sup>(1)</sup> and also recognised the importance of framework agreements and that effective framework agreements can deliver substantial benefits.

- Since then updates to Government construction procurement strategy and several significant reports on construction have been published, the latter include: “*Construction 2025*”<sup>(8)</sup> (July 2013), “*Infrastructure Procurement Routemap*”<sup>(9)</sup> (January 2013) and “*New Models of Construction Procurement*”<sup>(10)</sup> (July 2014); there have also been various other construction related developments. Some of the key aspects of the foregoing relevant to effective frameworks are considered in section 7 of this report.

**3.5** Both the LGA and NACF believe and support the position that significant savings, benefits and other efficiencies in construction can be achieved by effective frameworks through the longer term arrangements, non-adversarial relationships, common incentives, integrated teams and objective assessment of performance associated with such frameworks.

Continued pressures on public sector finances means that achieving such benefits and efficiencies will be vital. For example, at the time of writing it is anticipated that councils will have a £7.8bn funding gap by 2025, necessitating significant efficiency savings, and there is no clarity over funding levels, both nationally and locally, after March 2021. This report includes details on the benefits and savings achieved by NACF and other frameworks to show what can be delivered by the public sector.

# 4 Frameworks generally

**4.1** There are a wide range of frameworks used by the public sector. Frameworks differ in approach to deliver different business needs and outcomes; they can vary from very large scale and complex arrangements to small specific arrangements for a particular requirement. The number of suppliers appointed can also vary, an entire requirement may be provided exclusively by a single supplier or a large number of suppliers may be appointed. Frameworks have been widely used for construction related work and services including:

- construction works
- professional services
- specialist works
- supply chains and bulk purchasing arrangements
- maintenance and facilities management.

**4.2** An indication of the wide range of frameworks currently used within the public sector is given in “*Effectiveness of Frameworks*”<sup>(1)</sup> which refers to the following types:

- National and regional frameworks for central government departments and executive agencies.
- National, regional and sub-regional frameworks within the NIEP (now NACF) community.
- Collaborative frameworks by a group of local authorities or other organisations within a discrete geographic area.
- Unilateral arrangements available to a broad cross-sector of authorities.
- Single organisation frameworks.
- Government Procurement Service (now Crown Commercial Service) frameworks available to the wider public sector.
- Other specialist frameworks, for example, Partnerships for Schools’ Contractors Framework for Academies.

**4.3** Frameworks also vary in sophistication and the efficiencies, savings and benefits that they can potentially deliver. Figure 1 overleaf gives a general indication of the way NACF construction frameworks have evolved from the first public sector construction frameworks that began to be adopted in the 1990s. However, the different stages (*‘generations’*) and the features attributed to each stage in figure 1 are notional and in practice the majority of frameworks will not fit within a particular generation, for example NACF partner frameworks are generally consistent with the fourth generation benefits.

- Effectively managing and governing frameworks including providing support to clients is key in achieving the efficiencies, savings and other benefits that they can potentially deliver.

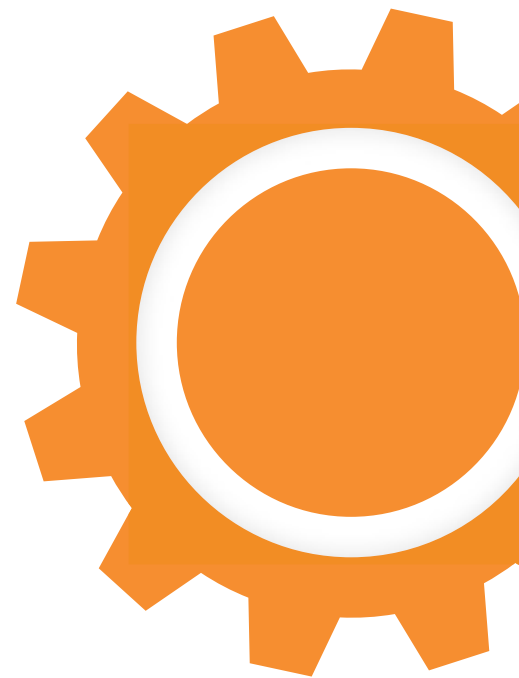


Figure 1 Framework Evolution

### 1st Generation

- Avoid OJEU's
- Long term partnering / workload continuity
- Collaborative contracts
- Less disputes / better relationships
- Reduce project overruns in time and cost.

### 2nd Generation (includes 1st generation)

- Improved project delivery
- Framework user support
- KPIs to show continual improvements for time, costs and innovation.

### 3rd Generation

- Guarantee improved project delivery and social benefits
- Managed user service
- More collaboration
- Fair Payments / Project Bank Accounts
- Employment and Skills Plans
- Supply Chain
- Engagement and innovation
- Sustainability strategy
- Community benefits
- Lots by value.

### 4th Generation

- BIM
- PAS91
- Choice of contracts e.g. NEC and JCT and PPC2000
- Range of selection methods
- Social Value Act compliant
- New Models of Procurement
- 'New Housing' Lots
- Supplier min turnover reduced
- Carbon reduction initiatives.

### What will the 5th generation include?

- Increased collaboration and innovation down the supply chain?
- More engagement with schools to attract new people to the industry?
- New technology?
- Greater supplier incentivisation?





# Comparison of frameworks, alliances and traditional procurement methods for construction

## 5.1 Generally

**5.1.1** This section compares frameworks, alliances and traditional forms of procurement (the latter relates to where suppliers are procured for individual projects) in relation to public sector construction.

- a) It has been recognised by Government reviews that traditional procurement for UK construction is generally inefficient and wasteful, typically:
- performance has been inconsistent and below a desired standard, and
  - relationships can be myopic and characterized by conflict and distrust.
- b) A more integrated approach to manage the whole of the supply chain (typified by longer term arrangements, non-adversarial relationships, fewer suppliers, common incentives, integrated teams and the objective assessment of performance) is generally considered to have significant potential to improve all round performance.

**5.1.2** Government construction procurement strategy also calls for an integrated approach. For example, “*Common Minimum Standards*”<sup>(11)</sup> refers to the following in relation to procurement:

*“Procurement strategies and contract types should support the development of collaborative relationships, enable early contractor involvement and support innovative approaches”*

*“Approaches that do not enable early contractor involvement should not be used unless they can be clearly shown that they offer best value for money”*

**5.1.3** Effective frameworks can offer distinct benefits over traditional procurement for projects by facilitating a more integrated solution based on

continuing and closer relationships with a limited number of suppliers. Government construction strategy recognises the importance of framework agreements and that effective framework agreements can deliver substantial benefits.

- Evidence of the benefits of effective frameworks from “*Effectiveness of Frameworks*”<sup>(1)</sup> is included in this report at Appendix 1; this indicates the type and size of benefits that have already been achieved by the public sector through the use of effective frameworks, including NACF frameworks.

**5.1.4** Alliancing is founded on a highly integrated approach and under appropriate circumstances alliances potentially offer the highest level of benefits over traditional procurement. However, as indicated in 5.3 below alliancing is not easy; it requires real underlying culture and behavioural change, involves a fundamental shift from the embedded approach of traditional contracting and can only be achieved with collective commitment.

## EU procurement rules – threshold values

**5.1.5** Frameworks, traditional procurement and alliances are subject to The Public Contracts Regulations 2015 EU procurement rules if their estimated value is over the relevant threshold value. However, a call off under a framework with an individual estimated value above the relevant threshold value does not have to go through the full procedural steps in the EU procurement rules again.

Also, under some circumstances the EU procurement rules require that the estimated value for a proposed procurement is aggregated with that for other work for the purpose of the EU threshold.

## 5.2 Traditional procurement

### 5.2.1 General

- a) Traditional procurement has been generally used throughout the public sector as it has the advantage of familiarity and if awards are on the basis of price alone it is straightforward in terms of assessing the best tender. However, traditional procurement is now viewed as inefficient and a more integrated approach is preferred.
- b) It is possible to add in some aspects of an integrated approach to traditional procurement, for example assessing tenders on a quality and price basis, or using two stage tendering to facilitate early contractor involvement in the development of construction contracts.  

Nevertheless, the focus on the individual contract limits the potential for the benefits that can be achieved. For example, the potential for efficiencies through standardisation and elimination of non-productive processes is limited with a traditional procurement, but can be developed over several projects in a continuing relationship as the relationship develops.
- c) A traditional approach for a one-off procurement would, however, enable a procurement to be specifically developed to meet the contracting authority's requirement and this may be preferable to accessing an available existing framework / contract that's not completely aligned with the authority's requirements.

### 5.2.2 Term contracts

It is possible to let an individual contract as a term contract to allow packages of work to be instructed and / or to provide a continuing service, for example maintenance work. Term contracts aren't limited to the four year maximum duration that normally applies to frameworks under The Public Contracts Regulations. Factors to consider when contemplating a term arrangement include:

- being with a single supplier - issues such as lack of competition for work packages, maintaining the motivation of the supplier and contingency arrangements if the supplier fails should be assessed and addressed; and
- without a sufficient commitment to work the arrangement may be classed as a framework agreement for the purpose of The Public Contracts Regulations.

Appropriate applications of term contract arrangements can achieve the benefits of an integrated approach.

## 5.3 Alliances

5.3.1 Alliances are referred to in the "*National Construction Category Strategy*"<sup>(3)</sup> and are considered below for completeness.



**5.3.2** There are various definitions for an alliance including the following:

- The Infrastructure Client Group “*Alliancing Code of Practice*” (2015)<sup>(12)</sup> includes the following as part of the description of an alliance - *“An alliance in general terms is a collaborative and integrated team brought together from across the supply chain. The team share a set of common goals aligned with customer and client outcomes and work under common incentives.”*
- “*Alliancing Best Practice for Infrastructure Delivery*” (2014)<sup>(13)</sup> - also by the Infrastructure Client Group - refers to the following definition of alliancing by the European Construction Institute - *“Alliancing is a form of long term partnering on a project (or programme of works) in which a financial incentive scheme links the rewards of each of the alliance members to specific and agreed overall outcomes and in which all aspects of the arrangement are incorporated in legally binding contracts.”*

**5.3.3** Alliances are generally based on an open book approach with the members of integrated supply chains (not just first tier members) recovering costs and overheads on the basis that a closely collaborative approach will achieve the best overall outcomes for the client’s requirements for the project / programme involved. Supply chain members are motivated to achieve common goals aligned to the client’s requirements through common targets and incentives.

- Alliances can involve a single tier 1 supplier or multiple tier 1 suppliers
- A key aspect of alliancing is collective leadership with a formal board / executive team or similar (core group in the parlance of the framework alliance contract) made up of alliance members (client and suppliers) managing the alliance to deliver the changes needed to achieve the required outcomes - decisions are taken by the collective leadership on a consensus basis.
- **Alliancing is not easy;** “*Alliancing Best Practice for Infrastructure Delivery*”<sup>(13)</sup>, comments - *“... be prepared! Alliancing is not the easy option, developing alliances requires real underlying culture and behavioural change. It also requires a fundamental shift from the embedded approach of traditional contracting and can only be achieved with collective commitment”*

**5.3.4** Although framework agreements, under appropriate circumstances, can be structured to involve working on an integrated collaborative basis (*‘partnering’*), alliances and framework agreements are typically different, for example:

- as indicated in 5.4.1 below frameworks are generally established to provide flexibility so that they may be used when it’s beneficial for the client but without involving an obligation on the client to do so; whereas an alliance would typically involve a commitment to provide work to facilitate supplier commitment;
- construction frameworks are typically intended to be available to a wide range of public sector clients with differing capabilities and requirements and not all of these will have the commitment, capability and culture to work in an alliance environment and / or a workload commensurate with such an environment; and
- the significant numbers of clients and first tier suppliers typically involved in construction frameworks, such as the NACF frameworks, would limit the potential for an overall alliance approach to such frameworks.

However, framework arrangements based wholly on an alliancing approach could be practicable in some circumstances where the client(s) and supplier(s) have the capability, commitment and values needed and typically where there are more limited numbers of clients and suppliers and an established programme of work with a degree of commitment to suppliers regarding this. It should also be practicable for individual call offs under framework arrangements to be carried out on alliancing basis (subject to appropriate provisions in the framework agreement to facilitate this).

## 5.4 Frameworks

**5.4.1** Framework agreements are generally established to enable the contracting authority(ies) entitled to use them to do so when it's beneficial without involving an obligation on any contracting authority to place work with the framework agreement. As many public sector clients require flexibility in the value and type of work let, frameworks of this type have been a popular approach with them.

In practice, the effectiveness of frameworks varies. However, effective frameworks can offer distinct benefits over traditional tendering, by facilitating a more integrated solution based on continuing and closer relationships with a limited number of suppliers. Some further details of such benefits are given in the table below.

Potential Benefits of frameworks	Comment
<b>Potential for further work provides an incentive for suppliers to improve performance</b>	Reasonable potential for future work should incline suppliers to look at a longer term time horizon rather than a 'project-by-project' mentality.
<b>Efficiency savings through aggregating the work</b>	Aggregating projects can provide commercial savings.
<b>Standard procedures and systems</b>	Continuing arrangements with repeat orders facilitate the use of standard procedures and systems and the development / improvement of these by the parties to their mutual benefit.
<b>All round improvements through early engagement of the supply chain</b>	Although early involvement / integrated working with a supplier and members of its supply chain can be achieved for a one-off contract, with a framework: <ul style="list-style-type: none"> <li>• selection of suppliers can be more easily and quickly achieved</li> <li>• standard procedures and systems with which the parties are familiar can be used; and</li> <li>• the learning and experience of the parties working together on previous projects potentially provides greater scope for improvements.</li> </ul>
<b>Greater consistency of project outcomes</b>	Frameworks can deliver greater efficiency and consistency of project outcomes through a balance of: <ul style="list-style-type: none"> <li>• the learning and experience of parties working together in continuing relationships covering several projects ; and</li> <li>• maintaining a degree of competitive tension between framework suppliers.</li> </ul>
<b>Continuous improvement</b>	The performance of the Suppliers appointed to a framework can be assessed using KPIs for different call offs throughout the life of the framework agreement. The results can be used as a management tool to: <ul style="list-style-type: none"> <li>• identify and address any issues; and</li> <li>• identify best practice and set targets to promote improvements.</li> </ul>
<b>Provides employment opportunities and skills development to the construction market</b>	Appropriate requirements may be included as specified requirements for the framework agreement / call off contracts. <ul style="list-style-type: none"> <li>• Repeat orders and the continuing relationships under a framework make it more practicable to include such requirements, for example, for relatively modest projects.</li> </ul>
<b>Provides greater value for money</b>	This can be achieved through a number of factors e.g.: lower tendering costs, aggregated demand, consistency and familiarity with procedures and documentation. Suppliers are also incentivised to look at the wider stakeholder requirements of projects as opposed to just the contractual obligations.

**5.4.2** Before accessing any framework procured by another entity, a contracting authority should first satisfy itself that the framework and the call off being considered complies with The Public Contracts Regulations 2015 including:

- the procurement of the framework;
- the value and type of the work involved;
- the duration of the framework;
- the contracting authority(ies) that may access the framework agreement; and
- the arrangements for selecting a supplier and awarding a call off contract, including any relevant selection criteria, weightings and prices.

### 5.4.3 Effectiveness of NACF frameworks

In the table below NACF frameworks are considered in relation to attributes for the definition of an effective framework in “*Effectiveness of Frameworks*”<sup>(1)</sup>.

Effectiveness of Frameworks Definition Attributes	NACF Frameworks
<b>Has a demonstrable business need</b>	<p>The frameworks have been developed in response to government challenges and have involved market testing with potential contracting authorities to offer an efficient and collaborative approach to procurement for construction for:</p> <ul style="list-style-type: none"> <li>• the local authorities, other public sector bodies and registered charities in the relevant region.</li> </ul>
<b>Has effective governance processes, active stakeholder engagement and client leadership</b>	<p>Each framework follows clear call off procedures and includes detailed supportive pro-formas and documentation.</p> <p>Leadership and overall management for all frameworks is provided by a framework management board (comprising senior representatives of the bodies that procured the framework).</p> <p>Day to day management for each framework, including support for authorities accessing the framework, is provided by a framework manager.</p> <ul style="list-style-type: none"> <li>• Support is supplied by a framework management team.</li> <li>• Co-ordination to ensure consistency across frameworks in a region is provided by a programme manager.</li> </ul> <p>NACF frameworks actively support stakeholder engagement, via the NACF partners’ websites and also through various initiatives.</p>
<b>Actively supports its clients throughout the project lifecycle, ensuring that clients and the supply chain receive a legacy of improvement</b>	<p>Active support for clients and the supply chain is provided through the framework managers supported by framework management teams and other specialists.</p> <p>NACF partners’ websites provide a focus for various groups and activities, plus access to detailed guidance and documentation for the frameworks.</p>
<b>Is driven by aggregated demand to create volume and generate efficiencies, and provides sufficient work opportunities to cover supplier investment</b>	<p>NACF frameworks are driven by the market for construction for local authorities and various other public sector bodies and registered charities in each NACF partner’s region.</p> <ul style="list-style-type: none"> <li>• An indication of the total spend at the time of writing for the NACF frameworks in each NACF region is given in Appendix 3.</li> </ul>
<b>Maintains “competitive tension” in terms of value, quality and performance during its life</b>	<p>NACF frameworks accommodate a number of methods for call offs including mini-competitions on prices and / or quality and the numbers of suppliers appointed are sufficient to maintain competitive tension. Performance is closely monitored through KPIs and may impact on future opportunities for call offs.</p>

<p><b>Is designed and managed to deliver the required outcomes and continuously improve upon them</b></p>	<p>NACF frameworks are generally consistent with structured project management, including gateway processes to manage the development and delivery of work.</p> <p>Delivery of required outcomes can be assessed through gateway processes and also through structured KPI processes which are an integral part of NACF frameworks.</p> <ul style="list-style-type: none"> <li>• KPIs are collated centrally by the framework management teams; the results are used to promote continuous improvement and performance may impact on future opportunities for call offs.</li> </ul>
<p><b>Can demonstrate greater value for money for the taxpayer</b></p>	<p><i>“Effectiveness of Frameworks”</i><sup>(1)</sup> indicated that for NACF (NIEP) frameworks at the time of that report.</p> <ul style="list-style-type: none"> <li>• A total £300m of savings had been achieved.</li> <li>• Construction costs saved 7% at contract sum compared to normal contracting.</li> <li>• 95% of projects were completed within 5% of the target time. (See Appendix 1 for further details)</li> </ul>
<p><b>Pays fairly for the work done and the risks taken</b></p>	<p>NACF frameworks generally use the NEC and / or JCT family of contracts. These include clearly defined duties and responsibilities with a clear allocation of risk.</p>
<p><b>Contributes to the development of an effective and efficient construction market</b></p>	<p>NACF frameworks operate supply chain engagement programmes, employment and skills programmes, and are delivering improvements within the market.</p> <ul style="list-style-type: none"> <li>• For example firms are supported to improve their processes (such as for WRAP).</li> </ul> <p>Standard documentation and procedures promote lower tender costs.</p>
<p><b>Harnesses the power of public sector procurement to provide jobs and skills, local employment and enables SMEs to prosper</b></p>	<p>NACF frameworks include for supply chain engagement programmes and employment and skills programmes.</p> <p>The procurement strategy for NACF frameworks, including provisions for different lots, has facilitated the inclusion of a significant proportion of SMEs.</p>
<p><b>Ensures supply chains are engaged from the earliest stages of a project</b></p>	<p>Different procurement routes are available for NACF frameworks which can enable suppliers and their supply chain members to be involved during the development of a project and facilitate integrated working with them.</p> <p>NACF frameworks can accommodate: gateway process and inclusive workshops (including suppliers and supply chain members) for risk management and value management / engineering.</p> <p>NACF frameworks include supply chain engagement programmes to develop connections between projects, suppliers, and ultimately the organisations procuring the projects.</p>
<p><b>Ensures transparency and collaborative values flow down the supply chain to produce supply chains that clients can have confidence in</b></p>	<p>The documentation for the frameworks (including the use of the NEC3 / NEC4 contracts by some NACF frameworks) provides for collaborative values to be passed down the supply chain.</p> <ul style="list-style-type: none"> <li>• Proposed subcontractors and their terms and conditions are subject to acceptance prior to appointment.</li> </ul> <p>NACF supply chain engagement programmes:</p> <ul style="list-style-type: none"> <li>• enable the supply chain to be framework ready, for example through training initiatives; and</li> <li>• make details of committed contracts and work packages for these available to members of the relevant supply chain engagement programmes</li> </ul> <p>NACF frameworks include provisions to ensure that the supply chain is paid within defined timescales, for example, through:</p> <ul style="list-style-type: none"> <li>• operating government fair payment provisions; and</li> <li>• open book audits and amendments to contract conditions.</li> </ul>



# Effective construction frameworks

**6.1** This section relates to the findings of “*Effectiveness of Frameworks*”<sup>(1)</sup>.

## “Effectiveness of Frameworks”<sup>(1)</sup> report – background and methodology

**6.2** Objective 10(i) of the “*Government Construction Strategy*”<sup>(14)</sup> report of 2011 required the Cabinet Office to assess “*the effectiveness of frameworks, in collaboration with Departments and the National Improvement and Efficiency Partnership (NIEP) for Construction*” - the role for the latter was taken over in 2013 by the National Association of Construction Frameworks (NACF). The Strategy noted that construction frameworks in the public sector were of varying degrees of effectiveness: “*Evidence and commentary from a spectrum of clients and contractors point to highly effective use of some frameworks, but also to other frameworks which are less effective.*”

**6.3** The evidence gathered was drawn from existing material for frameworks for construction works, some of which also included design and professional services elements. A Working Group collected evidence from key central government departments (DfE, DoH, MoD, MoJ) and the wider public sector via the NIEP.

**6.4** The investigation began with a review of material produced by the National Audit Office, Office of Government Commerce, Cabinet Office Efficiency and Reform Group and the NIEP. In parallel, the NIEP consulted with its network of construction frameworks and collated live data from each region to form a national data set.

**6.5** The NIEP work provided a methodology that included a template for presenting benefits achieved by frameworks and a classification to map the key features of frameworks to the procurement lifecycle of planning, procurement and operation. This was tested through three multi-stakeholder workshops and input received from critical commentators including the Procurement and Client Task Group and specialist industry representative bodies such as the Specialist Engineering Contractors Group, National Specialist Contractors and Civil Engineering Contractors Association.

## “Effectiveness of Frameworks”<sup>(1)</sup> report – findings

Except where indicated otherwise, the details below are taken directly from “*Effectiveness of Frameworks*”<sup>(1)</sup>

### Headline evidence on framework performance

- 6.6** Based on evidence of framework performance that was collected during the investigation the following benefits accrued from the use of effective frameworks in procuring construction:
- 1) Delivering sustainable efficiency savings.
  - 2) Reduction in construction and consultancy costs.
  - 3) Delivery of projects closer to target cost and time.
  - 4) Reduction of disputes, claims and litigation.
  - 5) High client satisfaction rates.
  - 6) High proportion of value of work undertaken by SMEs.
  - 7) High proportion of local labour and sub contractors.
  - 8) High take-up of government initiatives such as Fair Payment, apprenticeships, localism etc.
  - 9) High proportion of construction, demolition and excavation waste diverted from landfill.
  - 10) Good Health and Safety performance against national average.
  - 11) Acting as a key enabler to integration of the supply team.

**6.7** The benefits identified above demonstrate that effective framework agreements do exist in the public sector. The Working Group was informed that many organisations could not deliver their programmes effectively without the use of framework agreements.

### Features of an effective framework

**6.8** Key features of effective framework agreements structured around the three phases of planning, procurement and operation are detailed in the Table in Appendix 2 (that is derived from “*Effectiveness of Frameworks*”<sup>(1)</sup>).

### Definition of an effective framework

**6.9** For the purposes of this work the Working Group agreed that an **effective framework** is one that:

- 1) Has a demonstrable business need.
- 2) Has effective governance processes, active stakeholder engagement and client leadership.
- 3) Actively supports its clients throughout the project lifecycle, ensuring that clients and the supply chain receive a legacy of improvement.
- 4) Is driven by aggregated demand to create volume and generate efficiencies, and provides sufficient work opportunities to cover supplier investment.
- 5) Maintains ‘competitive tension’ in terms of value, quality and performance during its life.
- 6) Is designed and managed to deliver the required outcomes and continuously improve upon them.
- 7) Can demonstrate greater value for money for the taxpayer.
- 8) Pays fairly for the work done and the risks taken.
- 9) Contributes to the development of an effective and efficient construction market.
- 10) Harnesses the power of public sector procurement to provide jobs and skills, local employment and enables SMEs to prosper.
- 11) Ensures supply chains are engaged from the earliest stages of a project.
- 12) Ensures transparency and collaborative values flow down the supply chain to produce supply chains that clients can have confidence in.

### Risks to framework effectiveness

**6.10** The following major risks to undermining framework effectiveness were identified by the Working Group and critical commentators during the investigation:

- 1) Framework agreements that are not driven by demonstrable business need.
- 2) Framework agreements that are not designed to effectively deliver the business needs of potential clients.
- 3) ‘Non–managed’ - Framework agreements that are merely used as shortcuts to market rather than a means of sustainable effective delivery.
- 4) Public sector clients engaging advisors / consultants who are not familiar with or committed to collaborative partnering processes and who promote lowest cost tendering. This potentially leads to tension between these consultants / advisors and framework contractors.
- 5) Frameworks perceived as an opportunity to generate income, sovereignty and job protective behaviours.
- 6) Frameworks perceived as a quick route to market (OJEU avoidance).
- 7) Less expert clients believing that lowest cost tendering will deliver best value.
- 8) Less expert clients not understanding that more complex schemes may benefit from retaining some risk by the client.





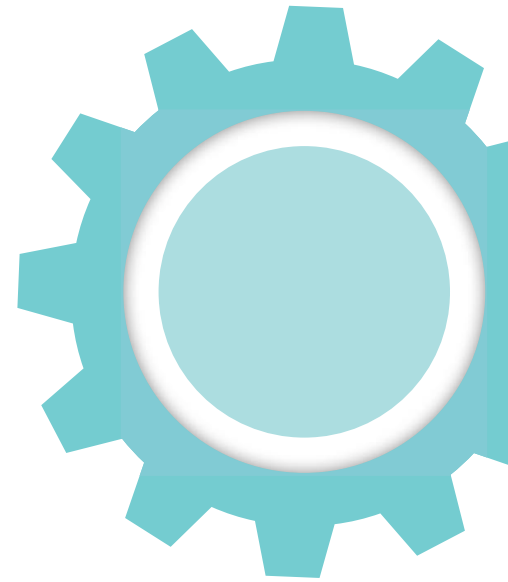
## Recommendations

**6.11** The Working Group recommended that:

- 1) The principles established in the report should be adopted and implemented by the Government Construction Board.
- 2) The findings from the investigation should be made available to framework owners / managers to highlight the potential risks to effective framework agreements through poor practice.
- 3) Rather than look back to existing frameworks, in order to categorise these as effective, ineffective or indifferent, the Government Construction Board should look forward and agree that future framework agreements should address the core principles and features of an effective framework – as detailed in the report.
- 4) That the Government Construction Board should put in place governance to act as a ‘clearing house’ for proposed framework agreements to assess their compliance with the agreed features of an effective framework. An accreditation mark should be awarded to compliant frameworks.
- 5) The life of the Effectiveness of Frameworks Working Group should be extended to develop an implementation plan and support the delivery of future work in this area. A quick win for this plan could be the production of a short how-to guide for construction frameworks.

## NACF Frameworks

**6.12** The comparison of NACF frameworks in section 5.4.3 with the attributes for the definition of an effective framework (as listed above) and the further information in Appendices 1 and 3 demonstrate that NACF frameworks comply with the definition for an effective framework.





# Recent significant construction initiatives and developments

**7.1** The initial “*Government Construction Strategy*”<sup>(14)</sup> report of 2011 updated in 2012 by the “*One Year on Report and Action Plan Update*”<sup>(15)</sup> has been succeeded by the “*Government Construction Strategy 2016-20*”<sup>(16)</sup>; this builds on the previous construction strategy and identifies the following strategy priorities to be delivered by the Infrastructure and Projects Authority construction team in conjunction with major construction spending departments and agencies, who comprise the Government Construction Board:

- Co-ordination and leadership.
- Client capability.
- Digital and data capability.
- Skills and the supply chain.
- Whole-life approaches.

As indicated in section 3, construction procurement has been widely viewed as being inefficient and wasteful and this view has persisted despite various government initiatives. The outcomes from the initial Government Construction Strategy in terms of savings achieved reflect this and the challenges that remain; the “*Government Construction Strategy 2016-20*”<sup>(16)</sup> advised that only £3.3bn had been saved throughout the whole of the 2011-15 strategy compared to the figure of up to £8.8bn originally identified and includes a much less ambitious target of only £1.7bn for the period from 2016 to 2020. (*The Government Construction Strategy report in 2011 referred to construction expenditure of £110bn per annum with public sector construction projects accounting for 40% of this or £44bn – targeted savings of 20% of £44bn = £8.8bn*).

There have been various associated construction initiatives since the “*Government Construction Strategy*” report of 2011<sup>(14)</sup>, brief details for some relevant ones are considered below; with the exception of the LGA “*National Construction Category Strategy*”<sup>(3)</sup> they are generally directly intended or required for Central Government Departments, their Executive Agencies and Non Departmental Public Bodies, but may be a requirement, for example for funding, for local

government projects and / or have relevance to construction projects generally.

**7.2 Infrastructure and Projects Authority** - the Infrastructure and Projects Authority (IPA) was created on 1 January 2016, by the merger of Infrastructure UK (IUK) and the Major Projects Authority (MPA).

- IUK was established in 2010 to support major infrastructure projects involving public sector capital; and
- the MPA was established in 2011 with a mandate to oversee and assure the largest government projects.

Although it is not an initiative in its own right, the IPA supports the successful delivery of all types of infrastructure and major projects and drives a series of initiatives to promote an overall project delivery system. The IPA is the government’s centre of expertise for infrastructure and major projects and responsible for “*the overall project delivery system; the projects, people and processes that together create the right environment for successful delivery*”.

In December 2016, the government published details of the £500bn pipeline of investment in infrastructure; the “*National Infrastructure & Construction Pipeline*”<sup>(17)</sup> (60% funded by the private sector and 40% by the state), along with “*Transforming Infrastructure Performance*”<sup>(18)</sup> “*...with a ten-year horizon that builds on existing best practice and tackles the systemic issues that still limit the performance of UK infrastructure*”. This set an ambitious target of achieving annual savings of £15bn per year in infrastructure procurement by increasing collaboration and innovation.

- The above can be seen against a backdrop in which a National Audit Office (NAO) report, “*Delivering major projects in government: a briefing for the Committee of Public Accounts*”<sup>(19)</sup> published in January 2016 advised that for 34% of major projects monitored by the Authority (then the MPA) successful delivery was in doubt or unachievable unless action was taken.

The IPA publishes a range of guidance and other documents developed by itself and its predecessors, for example the “*Project Initiation Routemap*”<sup>(20)</sup> published in 2016. This was a response to problems encountered with projects in their early stages and, particularly (as for example noted in the above NAO report) that projects often publically announced timelines and costs before plans have been properly tested. The Routemap is aimed at helping clients and sponsors to better understand:

- Where complexity needs to be managed.
- The existing vs. required level of delivery capability.
- The implications of your strategic decisions and how to apply best practice from other major projects.

It appears to use and build on part of the approach used in “*Infrastructure Procurement Routemap*”<sup>(9)</sup> published by the IPA predecessor IUK and HM Treasury in 2013.

**7.3 “National Construction Category Strategy – 2018 Edition”<sup>(3)</sup>** - published by the Local Government Association supports the delivery of the “*National Procurement Strategy for Local Government in England 2018*”<sup>(4)</sup> and defines objectives and provides guidance for local government construction, for example:

- a) The action plan involves various aspects founded on an integrated approach and social values and generally aligned to government construction strategy and includes for:
- developing the use of effective frameworks; and
  - the PAS 91: 2017 pre-qualification questionnaire [the use of which is now required in relation to procurement for works contracts (including the procurement of supplies and services subject to the Construction (Design and Management) Regulations 2015 and needed in relation to the works) in the scope of the Public Contract Regulations 2015].
- b) Details on construction procurement are also included in Appendix 2; these include:
- procurement routes, early contractor involvement (including the “*new models of construction procurement*” referred to in 7.6 below);
  - Building Information Modelling (BIM); and
  - managing the risk of supplier failure.

**7.4 “Construction 2025”<sup>(8)</sup>** - sets out a long term vision for construction in 2025 and was developed by government in conjunction with the industry in 2013. It is based on a strategic assessment relating to the industry and its business environment and considers that a “*radical, transformational, change*” is required to achieve the vision; people are recognised as one of the key factors for success (attracting, developing and retaining the right resources to provide the skills and expertise needed).

- Three strategic priorities that underpin the vision are identified as:
  1. Smart construction and digital design.
  2. Low carbon and sustainable construction.
  3. Improved trade performance.
- To deliver these strategic priorities there are considered to be six key drivers:
  1. Improved image of the industry.
  2. Increased capability in the workforce.
  3. A clear view of future work opportunities.
  4. Improvement in client capability and procurement.
  5. A strong and resilient supply chain.
  6. Effective research and innovation.

Four rather bold long term key ambitions to which government and the industry jointly aspire to achieve by 2025 are included as follows:

1. Lower costs - a 33% reduction in both the initial cost of construction and the whole life costs of built assets.
2. Faster delivery – a 50% reduction in the overall time, from inception to completion, for new build and refurbished assets.
3. Lower emissions – a 50% reduction in greenhouse gas emissions in the built environment.
4. Improvement in exports – a 50% reduction in the trade gap between total exports and total imports for construction products and materials

Effective construction frameworks should already have embraced several aspects relevant to the above, for example NACF partners have worked closely with government in smart IT based aspects such as Building Information Modelling (*smart construction and digital design*), low carbon and sustainable construction is considered for design and construction - including assessment by KPIs (low carbon and sustainable construction). The future workload is planned to the extent that this is practicable and future opportunities for work are advertised on NACF partners’ websites as part

of supply chain engagement programmes (*a clear view of future work opportunities*). Also NACF frameworks are engaged in developing skilled people for the industry through employment and skills plans and other training initiatives (*increased capability in the workforce*).

### 7.5 “Infrastructure Procurement Routemap”<sup>(9)</sup>

- is aimed primarily at sponsors and client organisations delivering major projects and programmes, long term capital investment plans and publically procured mega projects. It is based around the capability of sponsors and clients (which it is suggested are frequently overlooked), supply chain capability and contracting strategies and practices; it aims to provide an overarching structured approach and processes to enable informed decision making and to optimise procurement and project delivery outcomes. Cultural issues are recognised as important, in particular the need for behavioural change, for example (at 1.8) “...*procurement behaviours and associated processes remain stubbornly lengthy, expensive, adversarial and risk averse*”. Key areas include:

- Assessing the complexity of the organisation and the project or programme delivery environment.
- Assessing and improving sponsor and asset management capability.
- Assessing and improving the capability of the client and the supporting supply chain.
- Selecting and implementing the optimum delivery route and procurement option:
  - Several procurement models are identified, these include: delivery consortia, delivery partners, alliancing, public private partnerships and frameworks.
  - Effective frameworks as defined in “*Effectiveness of Frameworks*”<sup>(1)</sup> are seen as achieving direct procurement efficiencies and savings providing they are properly planned and managed.
- Innovation and best practice resources (including appropriate established guidance and tools) for example:
  - Early supplier engagement.
  - Collaborative working.
  - Appropriate risk allocation.
  - Strategic incentivisation.
  - Approaches to supply chain performance management.

- Supply chain contract alignment.
- Project Bank Accounts.
- Peer support and industry leadership

Effective frameworks should already follow an approach generally consistent with various aspects of the Routemap; for example NACF frameworks:

- should be able to provide an appropriate delivery route, generally consistent with Routemap requirements, for much of local authorities’ construction workload;
- already incorporate many of the practices and tools identified in the Routemap, or in some cases it should be possible to include them for particular call offs;
- have already worked to develop and integrate with supply chains and in particular to improve relationships with them (for example through inclusive processes such as value management / engineering workshops and supply chain engagement programmes); and
- already provide active support to both users and suppliers including training and support for users making call offs; although assessing and developing the client and sponsor capability of framework users isn’t included as such advice on such aspects could be provided (to enable users to make better informed decisions) and where appropriate further support could be provided to facilitate such assessments and development (including direct support and advice / assistance regarding the appointment of others to provide associated services and advice).

NACF partners will continue to promote aspects of the Routemap and will look to offer further support as regards assessing and developing the client and sponsor capability of framework users.

### 7.6 “New Models of Construction Procurement”<sup>(10)</sup> - considers three procurement models as follows:

- Cost Led Procurement.
- Integrated Project Insurance.
- Two Stage Open Book.

Each of these involves an integrated collaborative approach including early contractor involvement. Outline details for each model are included in the Local Government Association’s “*National Construction Category Strategy – 2018*”<sup>(3)</sup>.

For more definitive and complete information refer to the foregoing and to detailed guidance for each model (the latter are available for download at [www.gov.uk/government/collections/government-construction](http://www.gov.uk/government/collections/government-construction)).

Subject to ensuring any arrangements involved comply with the EU procurement rules, it should be practicable to include provisions for the above models in appropriate construction framework agreements. NACF construction frameworks already include provisions for two stage open book and similar provisions would typically be anticipated for other effective construction frameworks. Contracting authorities accessing a framework procured by others should satisfy themselves that the framework complies with the EU procurement rules; the detailed arrangements intended to be used for the above models should be carefully considered in this respect, in particular if use of a model with an existing framework, that wasn't originally designed to accommodate the model, is being considered.

**7.7** The initiatives referred to above generally are based around similar characteristics to those for effective frameworks (such as non-adversarial relationships, common incentives, integrated teams and continuous improvement). Effective frameworks and the initiatives should include some common features and, subject to compliance with The Public Contracts Regulations 2015 EU procurement rules, it is anticipated that it should be practicable to adapt / develop arrangements for effective frameworks that are consistent with most relevant aspects of the initiatives.

**7.8** In July 2017 following the Grenfell Tower tragedy, government commenced an independent review of building regulations and fire safety led by Dame Judith Hackitt, a former Chair of the Health and Safety Executive. The resultant report "*Independent Review of Building Regulations and Fire Safety: Hackitt Review*", May 2018 <sup>(21)</sup>, identified the requirement to:

- create a clearer, more effective mechanism for driving building safety
- provide stronger oversight of dutyholders with incentives for the right behaviours, and effective sanctions for poor performance
- increase competency across the construction industry
- focus on fire and structural safety

- reassert the role of residents
- introduce measures successfully employed in other industries such as the Safety-Case, project gateways, the 'Golden Thread' approach and whistleblowing procedures.

The proposals include new roles of:

- a Building Safety Regulator
- a new dutyholder regime for what is now being referred to as 'in scope' buildings and will include as a minimum High Risk Residential Buildings (HRRBs) over 18m in height. The regime is currently being developed, and will define the roles and responsibilities of key named dutyholders as follows:
  - Building safety Client
  - Building Safety Principal Designer
  - Building Safety Principal Contractor
- a Building Safety Manager

The report had a number of recommendations that the government committed to take forward and it published the consultation on its reforms "*Building a Safer Future: An Implementation Plan*", June 2019 <sup>(22)</sup>.

This was followed by the "*Raising the Bar*" report, August 2019 <sup>(23)</sup>, that represents twelve months work by more than 150 construction industry professional and trade organisations that have come together to improve the competence of those procuring, designing, constructing, inspecting, assessing, managing and maintaining Higher-risk Residential Buildings, now referred to as in-scope buildings. It included a dedicated working group, chaired by the Chartered Institute of Procurement and Supply, focused exclusively on Procurement competence, with representatives from NACF, client, consultant and contractor backgrounds from across the wider public and private sector, proposing the following three key recommendations:

1. There must be a nominated Procurement Lead for in-scope buildings and those involved in procurement at every stage of the Royal Institute of British Architects (RIBA) Plan of work on HRRBs, must have a comprehensive HRRB Procurement Competence Level.
2. The HRRB Procurement Lead will be assessed and accredited against a new Procurement Competence Framework which identifies the competencies, capabilities and knowledge that are needed to carry out all procurement activities identified for HRRBs.

3. Implementing this Procurement Lead role will need a culture change in the construction sector and work is needed to raise awareness of the new competence requirements for procurement activities to ensure understanding, appreciation and compliance.

**7.9** On 15 January 2018 Carillion who employed approximately 45,000 people globally including 18,200 people in the UK declared insolvency with £7bn of liabilities, including £2.6bn of pension liabilities. The full effects of this insolvency are still to be collated but based on the National Audit Office report *“Investigation into the government’s handling of the collapse of Carillion”*<sup>(24)</sup> published in June 2018:

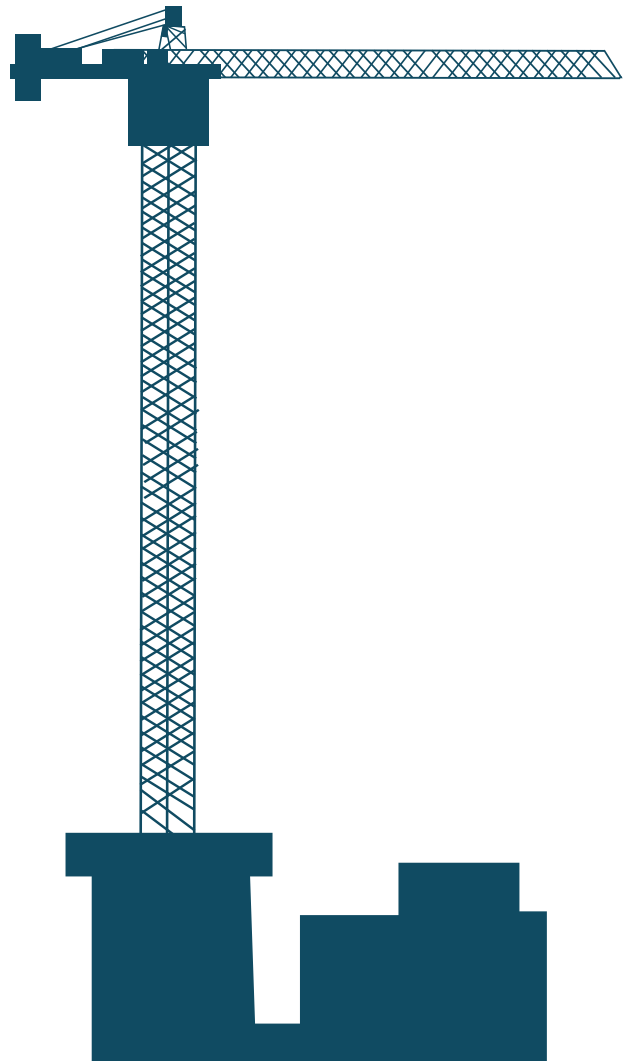
- 36% of the Carillion UK workforce is not finding new employment
- non-government creditors are unlikely to recover much of their investments
- how will 420 Carillion public sector contracts including hospitals, schools and transport be completed?

It also prompted many questions including the following:

- Should processes and procedures for public sector financial assessments of suppliers be changed as despite profit warnings Carillion was still awarded public sector contracts for the majority of 2017?
- How to implement fair payments down the supply chain as Cabinet Office had regularly raised with Carillion since 2013 its delayed payments to subcontractors?
- Do the use of retentions need to be legislated to protect subcontractors? The Construction (Retention Deposit Schemes) Bill to make provision for protecting retention deposits in connection with construction contracts, initially introduced in Parliament 6 days before Carillion went under by Peter Aldous MP, has yet to be approved. The intention of this bill is to ensure suppliers’ retentions are protected to minimise damage to subcontractors in the event of insolvencies.
- To what extent do Project Bank Accounts and bonds protect both subcontractors and clients against large contractor insolvencies?

Both the LGA and NACF recommend the use of Project Bank Accounts as one means of ensuring that the supply chain is paid on time and in cases of main contractor insolvency to continue to work with and pay the supply chain to complete the contract.

The Office of Government Commerce produced a *“Supplier Financial Appraisal Guidance”*<sup>(25)</sup> that is still relevant today and provides excellent information on how to carry out financial assessments of suppliers including warning signs to look out for. It also includes details of types of deed of guarantee / indemnity that can be taken out where there are concerns regarding the financial standing of a supplier. More recently the Cabinet Office has in response to the collapse of Carillion published *“The Outsourcing Playbook”*<sup>(26)</sup> which includes detailed guidance on financial evaluation of bids both at tender stage and during the contract period.



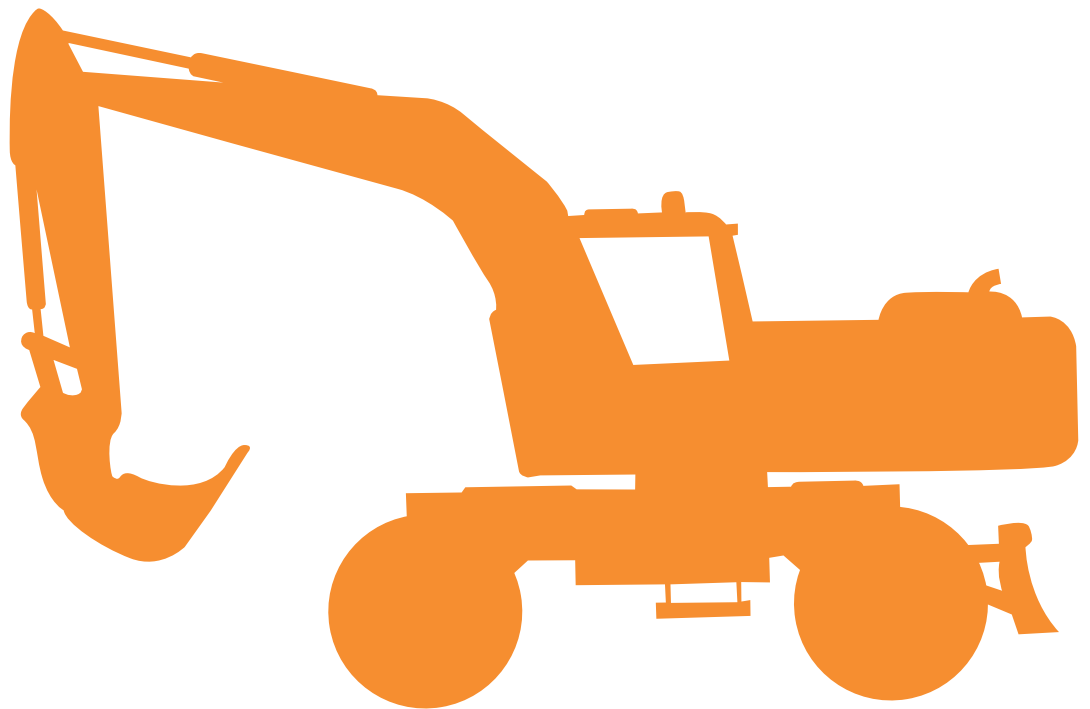
# 8 Recommendations

**8.1** LGA and NACF recommend that public sector organisations (subject to their own legal and professional advice) should:

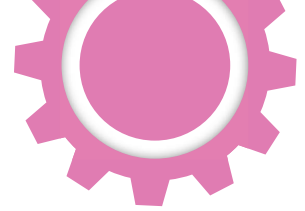


- 1) consider the use of effective frameworks (including accessing existing frameworks, for example NACF frameworks) in appropriate cases;
- 2) adopt the principles established in *“Effectiveness of Frameworks”*<sup>(1)</sup> when procuring their own frameworks;
- 3) make the findings from *“Effectiveness of Frameworks”*<sup>(1)</sup> available to framework owners / managers to highlight the potential risks to effective framework agreements through poor practice; and
- 4) in their own future framework agreements address the core principles and key features of an effective framework – as detailed in Appendix 2 of this report.

The LGA working with NACF have put in place arrangements to enable proposed framework agreements to be assessed for compliance with the features of an effective framework in Appendix 2. An accreditation mark will be awarded to compliant frameworks.



# References



1. “Effectiveness of Frameworks, a report by the Working Group on the Effectiveness of Frameworks of the Procurement and Lean Client Task Group” - March 2012
2. “Government Construction Strategy, Final Report to Government by the Procurement / Lean Client Task Group” - July 2012
3. “National Construction Category Strategy 2018 Edition” - the Local Government Association, January 2018
4. “National Procurement Strategy for Local Government in England 2018” - the Local Government Association, June 2018
5. “Constructing the Team, Final Report of the Government / Industry Review of Procurement and Contractual Arrangements in the UK Construction Industry” - Sir Michael Latham, HMSO, 1994
6. “Efficiency Scrutiny into Construction Procurement by Government” - Sir Peter Levene, 1995
7. “Rethinking Construction, the report of the Construction Task Force” - Chairman Sir John Egan, 1998
8. “Construction 2025, Industrial Strategy: government and industry in partnership” - HM Government, July 2013
9. “Infrastructure procurement routemap: a guide to improving delivery capability” - HM Treasury and Infrastructure UK, January 2013
10. “New Models of Construction Procurement, Introduction to the Guidance for Cost Led Procurement, Integrated Project Insurance and Two Stage Open Book” - Cabinet Office, July 2014
11. “Common Minimum Standards for procurement of the built environments in the public sector” – Infrastructure and Projects Authority, 2016
12. “Alliancing Code of Practice” - Infrastructure Client Group 2015
13. Alliancing Best Practice for Infrastructure Delivery” - Infrastructure Client Group 2014
14. “Government Construction Strategy” - Cabinet Office, May 2011
15. “Government Construction Strategy, One Year On Report and Action Plan Update” - Cabinet Office, July 2012
16. “Government Construction Strategy 2016-20” - Infrastructure and Projects Authority, March 2016
17. “National Infrastructure & Construction Pipeline” - Infrastructure and Projects Authority, Autumn 2017
18. “Transforming Infrastructure Performance” - Infrastructure and Projects Authority, December 2017
19. “Delivering major projects in government: a briefing for the Committee of Public Accounts” - National Audit Office, January 2016
20. “Project Initiation Routemap” - Infrastructure and Projects Authority, version 2, June 2016
21. “Independent Review of Building Regulations and Fire Safety: Hackitt Review” - Secretary of State for Housing, Communities and Local Government, May 2018
22. “Building a Safer Future: An Implementation Plan” - Secretary of State for Housing, Communities and Local Government, June 2019
23. “Raising the Bar Interim Report Improving Competence Building a Safer Future” - Competence Steering Group, August 2019
24. “Investigation into the government’s handling of the collapse of Carillion” - National Audit Office, June 2018
25. “Supplier Financial Appraisal Guidance” - Office of Government Commerce, April 2008
26. “The Outsourcing Playbook” - Cabinet Office, February 2019



# APPENDIX 1 - Collated framework performance

The following is reproduced from “Effectiveness of Frameworks” <sup>(1)</sup>.

## Note:

- i. NIEP refers to the National Improvement and Efficiency Partnership for the Built Environment, the role of the NIEP was taken over by the National Association of Construction Frameworks (NACF) in 2013.
- ii. MoJ refers to Ministry of Justice.
- iii. EA refers to the Environment Agency.
- iv. PfS refers to the Partners for Schools Contractors Framework.
- v. Procure21 and P21 refer to the Department for Health ProCure 21 construction framework & Procure 21+ to the Department for Health ProCure 21+ construction framework.
- vi. MoD refers to Ministry of Defence.

## Delivering sustainable efficiency savings:

- £300m savings to date across the NIEP frameworks.
- £130m savings since 2008 across the MoJ frameworks.
- On the EA frameworks efficiency savings as a percentage of the capital programme averaged 7.9% per year between 2005 and 2010 with cashable efficiency savings totaling £89.4m for that period.
- £38m savings on PfS framework contracts let to date.
- The MOD’s Project SLAM continuous improvement efficiencies have progressively increased to 18% over a 9 year period. Combined savings through continuous improvement and incentivisation totaled £59.4m between 2004 and 2011.

## Reduction in consultancy and construction costs:

- NIEP consultancy fees cost 9-13% less than industry comparators, NIEP construction costs save 7% at contract sum compared to traditional contracting.
- On the MoJ frameworks £6.3m has been saved on Consultant fee proposals since April 2011.
- An average outturn 10.5% below the original business case value was achieved on EA framework projects in 2010 - 2011.
- On aggregate the final price payable on MoD Project SLAM is 2.4% below target price.

## Delivery of projects closer to target cost and time:

- 100% of MoJ projects have a final account sum which is within budget and 86% of projects have an agreed maximum price which is below the outline business case.
- 100% of Procure21+ schemes are delivered to the Guaranteed Maximum Price.
- On average 97% of schemes were delivered to budget or below over the life of the P21 framework. 91% of schemes were delivered on time or early on the P21 framework.
- 100% of PfS framework projects are being completed within the contract cost. 100% of projects are delivered within 5% of original contract programme time.
- 96% of EA framework projects were completed on or ahead of time in 2010 - 2011.
- 95% of NIEP projects are delivered within 5% of target programme.

### **Reduction of claims:**

- There has been zero litigation on Procure21 and Procure21+ schemes to date saving approximately £65m.
- In 8 years of working through frameworks not a single claim has been made on NIEP frameworks (this saves 5% on traditional construction costs).
- There have been zero claims made over the first two years of the current PfS contractor framework.
- In 9 years of working under the MOD project SLAM framework not a single claim has been made.

### **High Client Satisfaction rates:**

- NIEP client satisfaction for product and service averages 87%.
- Client satisfaction averaged 81% on EA framework projects in 2010-2011.
- Procure21 delivered 86% average client product satisfaction and 81% service satisfaction.

### **High proportion of spend and value of work undertaken by SME sub contractors:**

- On average 85% of NIEP framework sub contractors are SMEs.
- On average 73% of NIEP construction contract work is spent with SMEs.
- 397 SMEs are listed in the supply chains of MoJ contractors.
- The MoJ frameworks have spent £1.3bn with SMEs in the supply chains of their contractors.
- There are over 200 first tier SMEs registered on the P21+ framework.
- The MOD Project SLAM employs 286 SMEs.

### **High take up of government initiatives such as Fair Payment, apprenticeships, localism, Government Construction Strategy actions etc:**

- All the frameworks reviewed have adopted the Fair Payment initiative.
- 107 apprenticeships are currently supported by MoJ framework supply chains.
- The NIEP frameworks have to date created a total of 1330 new entrants and trainees.
- On average 67% of NIEP projects sub contractors are local to the site area.
- On average 50 - 60% of capital is spent within 60 miles of PfS projects.
- 100% of Procure21+ projects use a standard template contract and administration pro forma.
- Procure21+ operates a royalty free license for NHS clients to share project design standardised products and cost information.
- 194 apprentices have benefited from the MOD SLAM framework.

### **High proportion of construction, demolition and excavation waste diverted from landfill:**

- 87% of all NIEP construction, demolition and excavation waste is diverted from landfill.
- In 2010 - 2011 74% of EA construction waste was diverted from landfill.
- On MOD project SLAM projects waste recovery has improved from 20.9% in 2008 to 90.8% in 2011.

### **Good health and safety performance against national average:**

- 86% of Procure21 schemes achieved a zero accident incident rate.
- 146 AIR reportable accidents on NIEP compared to the national average of 503.
- MOD reportable accidents 2010 - 2011 is 0.05.
- There has been only 1 AIR reportable accident on MoJ framework projects since April 2011.

# APPENDIX 2 - Features of an effective framework

The key features of effective framework agreements are detailed in the table below, which is derived from “*Effectiveness of Frameworks*”<sup>(1)</sup>. The details included are not necessarily exclusive to framework arrangements; the attributes can also be prerequisites in other effective construction procurement mechanisms or routes to market.

## NACF REGIONAL FRAMEWORK ACCREDITATION ATTRIBUTES

KEY	
<b>MANDATORY</b>	Able to immediately comply with the requirements
<b>DISCRETIONARY</b>	Have considered the requirement for implementation or otherwise, and have stated conclusions / guidance in the framework guidance documents

1.	FRAMEWORK PLANNING	Mandatory / Discretionary
<b>1.1</b>	<b>Business Need</b>	
1.1.1	Identify the core business needs of the framework user market and determine how they will be reflected in framework planning, procurement and operation.	<b>MANDATORY</b>
1.1.2	The framework has processes to address Health, Safety & Wellbeing and continuously work to eliminate accidents.	<b>MANDATORY</b>
1.1.3	Properly planned and developed business case ensuring a framework strategy that is properly supported and that business need, income, cost, benefits and the risks are identified and addressed.	<b>MANDATORY</b>
1.1.4	The business case considers the appropriate market so that the framework is structured to maximise market interest.	<b>MANDATORY</b>
1.1.5	Engage with key stakeholders including both users & suppliers and co-design the framework strategy, consider strategic objectives (e.g. localism, sustainability, efficiency). Allow sufficient time to research, develop proposals and effectively procure the framework.	<b>MANDATORY</b>
1.1.6	Collaborate with partner public sector & third sector organisations in the locality, regionally and nationally, ensuring an overall fit with existing landscape.	<b>MANDATORY</b>

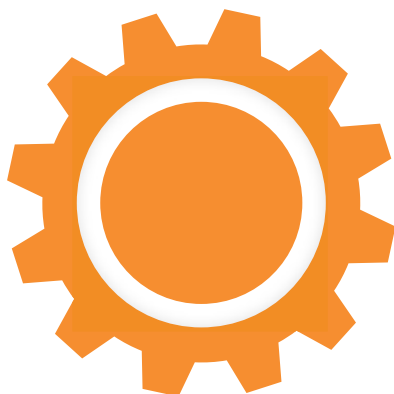
1.1.7	Represent the region advertised and demonstrate usage as such.	MANDATORY
1.1.8	Respect regional boundaries of neighbouring NACF frameworks and transparently share future framework planning and respect other NACF members' frameworks.	MANDATORY
1.1.9	The Framework will be hosted, administered and controlled by a Public Body (as defined by Reg 2 in The Public Contracts Regulations 2015 'bodies governed by public law') to significantly benefit public sector projects.	MANDATORY
1.1.10	NACF members will agree to collaborate with each other when re-procuring frameworks.	MANDATORY
<b>1.2</b>	<b>Market Capacity</b>	
1.2.1	Understand capacity, know your market and define an achievable throughput to ensure that the supply chain achieves predictable turnover. Through the achievable throughput the framework generates adequate 'income' to pay for management arrangements without generating commercial profit.	MANDATORY
1.2.2	Through consultation avoid conflict with duplication of established procurement arrangements.	MANDATORY
<b>1.3</b>	<b>Appropriate Governance</b>	
1.3.1	Establish framework ownership arrangements, agree governance and commercial terms; and ensure the framework is effectively governed.	MANDATORY
1.3.2	Consider appropriate risk sharing arrangement to help inform the: <ul style="list-style-type: none"> <li>• Form of contract for the underlying contracts.</li> <li>• Competency of contractors.</li> <li>• Risk transfer and pain / gain share arrangements.</li> <li>• Resolution of Risk Share Issues.</li> </ul>	MANDATORY
1.3.3	Identify a suite of complementary arrangements, for example this could include: <ul style="list-style-type: none"> <li>• Building contractors.</li> <li>• Civil Engineering / Highways &amp; Infrastructure.</li> <li>• Consultancy.</li> <li>• Minor and Major works.</li> <li>• Repairs and Maintenance.</li> <li>• Housing.</li> </ul>	DISCRETIONARY
<b>1.4</b>	<b>Design Outcomes</b>	
1.4.1	Agree Building Information Modelling (BIM) strategy & support.	MANDATORY
1.4.2	Agree sustainability strategy & support, for example: <ul style="list-style-type: none"> <li>• Waste to landfill (WRAP).</li> <li>• Energy &amp; Carbon reduction.</li> <li>• Environmental impact &amp; Wildlife Protection.</li> <li>• Whole Life Cost.</li> <li>• Associated Key Performance Indicators (KPI).</li> <li>• Performance measurement.</li> <li>• And Management for the above.</li> </ul>	MANDATORY

1.4.3	<p>Agree Community Benefits, for example:</p> <ul style="list-style-type: none"> <li>• Recycling the local £.</li> <li>• Encouraging social enterprise.</li> <li>• Monitoring engagement.</li> <li>• Mental Health.</li> </ul>	<b>MANDATORY</b>
<b>1.5</b>	<b>Supply Chain Engagement</b>	
1.5.1	<p>Agree SME and supply chain engagement strategy, for example:</p> <ul style="list-style-type: none"> <li>• Ensure engagement in regional and local frameworks.</li> <li>• Emphasise the involvement and integration of tier 2 / 3 suppliers within the framework and design team.</li> <li>• Ensure transparent approach and client engagement with supply chain.</li> <li>• Local sourcing, fair payment provision down the supply chain, measure and monitor engagement.</li> <li>• Share pipeline opportunities for supply sub-contractor packages.</li> </ul>	<b>MANDATORY</b>
1.5.2	Retention - to support the debate on Retention Reform and implement any new processes that are mandated by Government promptly.	<b>MANDATORY</b>
<b>1.6</b>	<b>Employment &amp; Skills</b>	
1.6.1	Agree employment and skills strategy.	<b>MANDATORY</b>
1.6.2	<p>Proactive intervention in Framework Processes for example:</p> <ul style="list-style-type: none"> <li>• Job creation.</li> <li>• Apprenticeships.</li> <li>• Local employment outcomes.</li> <li>• Training.</li> <li>• School / college / university visits.</li> </ul> <p>Effective measurement tools to record outcomes of above.</p>	<b>MANDATORY</b>



2.	FRAMEWORK PROCUREMENT	Mandatory / Discretionary
2.1	<b>Business Case</b>	
2.1.1	Agree framework management arrangements to ensure they operate on a self-sustaining basis with a desire to deliver excellent outcomes.	<b>MANDATORY</b>
2.2	<b>Stakeholders</b>	
2.2.1	Lead or collaborate with other like-minded client organisations.	<b>MANDATORY</b>
2.2.2	Properly planned and resourced procurement with engagement of key stakeholders.	<b>MANDATORY</b>
2.2.3	Ensure competent procurement professionals are engaged to understand OJEU regulations and procurement procedure to ensure quality tenders and few queries and / or challenges from the supply chain.	<b>MANDATORY</b>
2.2.4	Proportional risk allocation and ensure risks sit with the party best able to manage them.	<b>MANDATORY</b>
2.3	<b>Supply Chain Engagement</b>	
2.3.1	Simplify procurement processes to encourage greater SME involvement. Ensure obligations in the framework agreement which bring certainty to delivery of SME engagement strategy (fair payment, collaborative values flow down the supply chain, pipeline visibility, performance management). Provide mechanisms for greater client influence over negotiations with its supply chain.	<b>MANDATORY</b>
2.4	<b>Design Outcomes</b>	
2.4.1	Structure lots and value bands to ensure adequate workload and appropriate risk sharing arrangement to match the right supplier for the type of work being tendered and to positively support SME engagement.	<b>MANDATORY</b>
2.5	<b>Continuous Improvement</b>	
2.5.1	Set measurable targets for continuous improvement with stakeholders.	<b>MANDATORY</b>
2.5.2	Record the following data to provide information to nationally report on: <ul style="list-style-type: none"> <li>• Cost.</li> <li>• Time.</li> <li>• Client Satisfaction – product.</li> <li>• Client satisfaction – service.</li> <li>• Client Satisfaction – defects.</li> <li>• Fair payments.</li> <li>• Reportable accidents.</li> <li>• SME.</li> </ul>	<b>MANDATORY</b>

3.	FRAMEWORK OPERATION	Mandatory / Discretionary
3.1	<b>Management of Framework</b>	
3.1.1	Invest in development and management of framework - dedicated framework management team proactively managing framework supporting clients, positively engaging the supply chain and capturing benefits.	<b>MANDATORY</b>
3.2	<b>Appropriate Governance</b>	
3.2.1	Establish relationships for formal liaison between framework management, contractors, and client teams.	<b>MANDATORY</b>
3.3	<b>Business Case Review</b>	
3.3.1	Demonstrate value for money and competitive tension through mini competitions and / or cost benchmarking.	<b>MANDATORY</b>
3.3.2	Demonstrate early engagement of contractors and supply chain in the design process where their contribution reduces cost and increases whole life value.	<b>MANDATORY</b>
3.4	<b>Creating Programmes / Clusters</b>	
3.4.1	Sustainable workload in well organised programmes of work in line with predicted throughput.	<b>DISCRETIONARY</b>
3.4.2	Common delivery and standardisation of work through programmes.	<b>DISCRETIONARY</b>
3.4.3	Create clusters and programmes of work of sufficient scale and duration to incentivise the supply chain and maximise local economic and social impact, demonstrate continuity of workload for supply chains.	<b>DISCRETIONARY</b>



<b>3.5</b>	<b>Supply Chain Engagement</b>	
3.5.1	<p>Implement mechanisms that bring certainty to intended level of SME engagement and client visibility of supply chain</p> <ul style="list-style-type: none"> <li>• Enable clients to have some influence over the selection and management of supply chain decisions.</li> <li>• Provide pipeline visibility to all contractors in the supply chain.</li> <li>• Early engagement of supply chain to influence specification and buildability decisions.</li> <li>• Ensure clear processes are established to ensure collaborative values and Tier 1 terms and conditions are cascaded down the supply chain.</li> <li>• Ensure that Fair Payment is made to all contractors in the supply chain within 30 days or as may be revised by Government from time to time.</li> <li>• Demonstrate fair payment practices are adopted throughout the supply chain .</li> <li>• Financial Due diligence of supply Chain.</li> </ul>	<b>DISCRETIONARY</b>
<b>3.6</b>	<b>Framework Outcomes</b>	
3.6.1	Framework Contractors that can implement BIM and whole life cost assessment and longevity decisions to be made about building components.	<b>MANDATORY</b>
3.6.2	Ability to demonstrate a reduction in carbon footprint and waste to landfill through products utilised and impact of the supply chain.	<b>MANDATORY</b>
<b>3.7</b>	<b>Continuous Improvement</b>	
3.7.1	Encourage innovation and standardisation through supplier groups and champions, strategic forums, capturing lessons learnt, championing new areas of development.	<b>MANDATORY</b>
3.7.2	Demonstrate continuous improvement in time, cost, quality, social, economic and environmental targets and relationship between parties on the framework.	<b>MANDATORY</b>
3.7.3	Demonstrate ability to provide training and employment opportunities for apprentices and local people through the framework.	<b>MANDATORY</b>
3.7.4	Actively supports clients through management arrangements ensuring that clients are left with a legacy of improvement.	<b>MANDATORY</b>
3.7.5	Put in place a structured / managed continuous improvement process to carry across key lessons learnt to any further frameworks being established.	<b>MANDATORY</b>
<b>3.8</b>	<b>Assurance</b>	
3.8.1	The framework has assurance from the Framework Management Team that the procurement, and management procedures have been carried out with due diligence and regard for the Public Contract Regulations.	<b>MANDATORY</b>

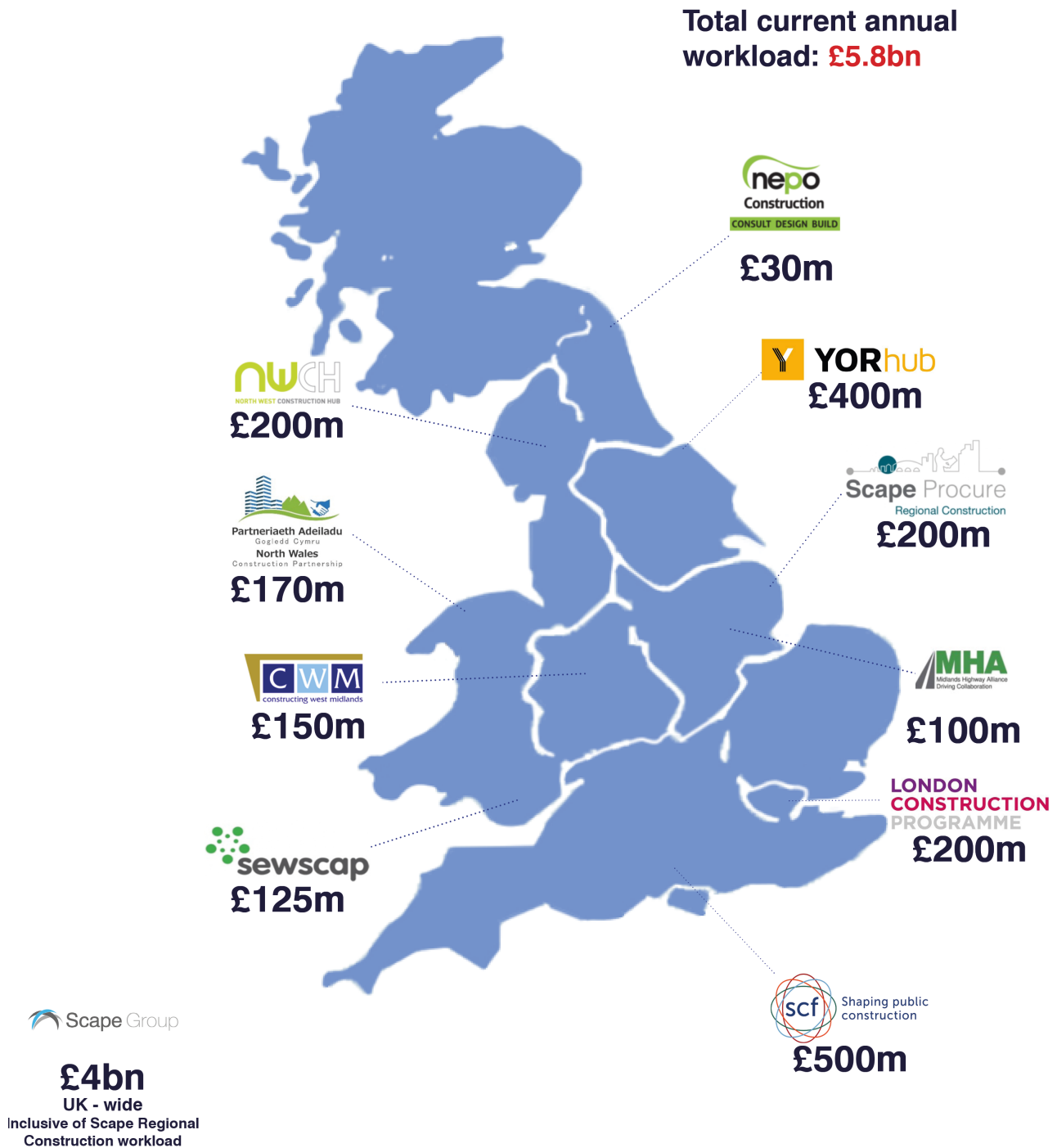


# APPENDIX 3 - National Association of Construction Frameworks

- 1) The National Association of Construction Frameworks (NACF) has its origins in previous Government initiatives aimed at improving performance in construction. Government promoted the development of regional construction frameworks in 2004 via Regional Centres of Excellence. These regional frameworks were subsequently linked into a national forum, the National Improvement and Efficiency Partnership for the Built Environment (NIEP). Following the demise of the NIEP, the NACF was formed in 2013 and initially comprised representatives of owners of NIEP regional frameworks. Subsequently the Midlands Highway Alliance have been added. Further details on the status and membership of the NACF are given in section 2.7.
- 2) The NACF is playing a unique role in leading the ongoing adoption of best practice in local government. Building on the successes to date of the Improvement and Efficiency Partnerships (IEPs), the NACF is working together with the LGA to help shape the future of the national procurement strategy - construction workstream.
- 3) The NACF also provides a link with Government in relation to construction and to provide a lead for local government in such matters. Building on the previous successes of the NIEP, the NACF is working together with Government and the LGA to help shape the future of the national procurement strategy for construction.
- 4) The objectives of the NACF are:
  - **Advocacy**  
Maintenance of framework information - central database for regional information.  
Sharing of best practice - expertise and knowledge.  
National voice - in central and local government.
  - **Management and measurement**  
Contractor workload and performance.  
Demonstration of benefits in local authorities: - cost, time, sustainability and local economy.
  - **Innovation and development**  
Benchmarking.  
Best in class design, procurement and delivery.
- 5) The NACF / NIEP has actively supported delivery of the Government Construction Strategy for example through:
  - Contributions to the Construction Cost Benchmarking publication.
  - Active trial projects for Two Stage Open Book model of procurement.
  - Active support to the implementation of BIM and Soft Landings.
  - Driving Fair Payment in the supply chain.
  - Co-authoring the “*Effectiveness of Frameworks*” publication.
  - Contributed to the development of PAS 91.



6) An indication of activity levels for NACF frameworks is given in the map below.



7) Further information regarding NACF and its partner organisations in England and Wales is available on its website at: [www.nacf.org.uk](http://www.nacf.org.uk).

Parties interested in using in using an NACF framework, or requiring further information, should contact the relevant NACF partner organisation; links to NACF partners' website are posted on the NACF website.

NACF full members at the time of writing are as follows:

- Midlands Highway Alliance.
- North West - North West Construction Hub.
- South East - Southern Construction Frameworks.
- South West - Southern Construction Frameworks.
- West Midlands - Constructing West Midlands.
- Yorkshire and the Humber - YORhub.
- Nationwide- Scape.

# Notes

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REF 4.106