



## Construction Framework South West

A building construction framework for  
all public bodies in the South West

CFSW Office, Room G03, County Hall,  
Topsham Road, Exeter, Devon, EX2 4QD  
*Tel:* 01392 382444 *Fax:* 01392 382286  
*Email:* [admin@cfsw.org.uk](mailto:admin@cfsw.org.uk)  
**[www.cfsw.org.uk](http://www.cfsw.org.uk)**

### **Key Benefits of Construction Framework South West**

#### **1. Introduction**

**1.1** Construction Framework South West (CFSW) has been set up to provide a collaborative construction framework for all public bodies in the South West to obtain collective buying power from the market and obtain better levels of service than can be obtained via one off or individual contracting. The Framework will provide a significant continuous work stream to Constructors, if they continually perform well and provide good value. Contractors who do not perform well run the danger of being excluded from a significant work stream. Experience shows contractors operating within regional frameworks are ever mindful of the need to have a long term collaborative approach in working with all the Framework Clients and adopt a very ‘constructive’ working style.

Construction Framework South West (CFSW) can and will provide greater certainty to users in an “uncertain construction market”. The Framework is structured to allow users the flexibility to use their preferred contract type without many of the risks associated with a one-off single stage tender.

Contractors have competed hard to secure a place on the Framework. Highly competitive overhead and profit percentages will be honoured throughout the life of the framework even when the construction market improves. Competitive hourly staff rates remain fixed (subject to annual inflation). The ‘open-book’ principles ensure market competition is maintained for all other cost elements throughout the tender process. Contractors will compete to secure each project and they will be continually benchmarked to their original tenders and the advice they provide at each stage, all of

which should add to cost and time predictability. Contractors who fail to perform run the risk of being 'rested' from the Framework.

**1.2** The Construction framework intends to use the "IESE Construction Framework Model" as currently used in the South East and hosted by Hampshire County Council as this provides an extremely proven framework to emulate. This will mean two neighbouring schemes operating very similarly and will 'save reinventing the wheel'. The IESE Framework is very strongly supported by public bodies in the South East, has a strong track record of benefits and within its first two years of operation will have been used to commission over £1.5 billion of projects. CFSW will operate along similar lines to the IESE Framework and the SECE staff are supporting the establishment of CFSW. (IESE was formerly known as the SECE Framework)

**1.3** One of the key aims of our new approach is to reduce risks and problems (as set out below) which the 'one off tender approach' used widely by public can give rise to, especially in the uncertain market conditions prevailing in 2009:-

- Undelivered programmes - that are late, cost more, and can destroy an organisations reputation
- High Cost Projects - that effect credibility, reputation and effect the size of an organisations overall program
- Projects with Significant cost/times overruns and additional claims – that sap overall budgets, impact on delivery and take up a lot of officer and member time.
- Lack of Contractor Interest in Projects - which can result in costs rising or very slow delivery

***Experience shows that an effective regional construction framework overcomes all of these issues.***

## **2. Summary of the Benefits of using Construction Framework South West**

- Workstreams that commit contractors to deliver all parts of a programme
- Early contractor involvement in projects to secure design and financial benefits
- Better value for money compared to one off tendering
- Elimination of claims and contractual disputes
- Faster delivery of projects
- More effective working with supply chain
- Collaborative working between Framework Users to deliver additional benefits
- Saving of tender costs

### **3. Detailed Explanation of Benefits**

Set out in the following section are more details about how the above benefits will be delivered:

#### **3.1 Workstreams that commit contractors to deliver**

- The Aggregated Purchasing Power of multiple Public bodies – current usage estimates identify very strong support and usage of the framework which will galvanise Constructors to compete hard to retain and capitalise from one of the limited places as a Framework Contractor.
- Continuity of Work to Contractors for contractors is equally as important than profit margins and we anticipate contractors will be very keen to win projects in this high value ongoing stream of work
- Contractors will need to give a commitment to deliver all projects within the framework program.

#### **3.2 Early contractor involvement in projects to secure design and financial benefits**

- The scale of the framework will focus contractors on achieving good Performance Scores as these will be crucial to securing further work and experience shows ‘the carrot’ of performing well to secure a share of a considerable volume of ongoing work is paramount.
- As the CFSW approach will promote earlier contractor involvement, the following risks are **considerably reduced** or can be eliminated :-

- Increases construction costs as works progress on site and the proliferation of claims as work progresses
- Design problems realised during construction
- Construction problems realised as works progress
- Improved buildability - will be secured from early contractor involvement. Before work commences contractors have significantly more time to produce a more accurate construction cost for a design they have helped developed. One off tendering negates any real possibility to improve buildability.

### **3.3 Better value for money**

The cost of not engaging contractors via CFSW will be considerable:-

- Costs of Detailed Mini Competitions - £5,000 to £50,000 is the typical cost range that could be involved in engaging contractors from within a framework.
- Conversely a Single Stage Tendering approach incurs very significantly greater procurement costs and design fees will inevitably be far greater. Many Consultants are currently advocating Single Stage Tendering but this does not necessarily provide best overall value.
- *Engaging contractors via CFSW will be achievable at a cost towards the bottom end of the scale via a tried and tested contractor engagement process, which is both simple and transparent.*
- Overall project acquisition costs are improved via the Framework Approach

### **3.4 Elimination of claims and contractual disputes**

- It is virtually an inevitable consequence of appointing contractors via “Individual Lowest Cost Tenders” that claims for changes or additional works will arise and the keener the price the greater will be the likelihood of bigger claims.
- The CFSW Framework Model operates to create a positive approach that will completely breakaway from a claims culture.
- The Framework will represent an important client to any of the framework contractors as such all users can expect ‘Grade A’ service which many would

not secure as individual organisations. Continuous Performance Monitoring will be used as a key tool to ensure Grade a service is secured.

- Continuity of work will be a valuable incentive to ensure contractors maintain excellent working relationships with all framework users.

### **3.5 Faster delivery of projects**

- A key feature of the model we are adopting is that users are encouraged to appoint contractors at an earlier stage of the project, ideally between the end of feasibility and the beginning of detailed design. This has a very significant number of benefits :-
  - The design time is reduced - the contractors will bring considerable practical realism to the design and help ensure the optimum design solutions are achieved first time
  - Construction Periods are significantly reduced – the early involvement of contractors at design stage impacts considerably on the construction phase, this is because the construction programme can be developed alongside the design with practical input from the contractors. Operations can be better sequenced. Specialist elements of the building and sub contractors can be put on earlier notice and/or orders can be placed earlier.

### **3.6 More effective working with supply chain**

- The attraction of a considerable overall pool of work for the successful contractors – will attract a strong interest from the supply chain.
- Improved value engineering / value management – contractors can point out a range of practical issues, including, the use of standardised rather than bespoke items, specifying components more generically given greater procurement options, advising against the selection of elements that restrict procurement options.

- Better use of supply chain – using the first hand experience of contractors to point toward options that will provide better value for money.
- Potential to aggregate material buying – The CFSW team will encourage clients and contractors to aggregate purchasing across projects and across organisations, This is happening with SECE projects in relation to the group purchasing of window and door sets with scope to be developed a lot further,

### **3.7 Collaborative working between Framework Users to deliver additional benefits**

- A range of organisations have set up their own construction frameworks but the costs of setting up a bespoke framework are considerable. The setting up cost of Individual Frameworks is of the order of £100,000 to £400,000. Even for a simple framework, most organisations would be exposed to the higher end of the scale. *The procurement of the CFSW Framework and operating costs\* of the framework are being financed by SW REIP, and will be available as a free\* service to users, (\* - SW REIP will fund the framework procurement and the first two years of the framework, we trust additional funding will be awarded for the full framework period).*
- Retention of Project teams will result from continuity of work and this will benefit clients and contractors alike from sharing efficiency gains.
- Cost reductions from collaborative design - contractors can point out practical difficulties with elements of the design before these elements become embedded.
- As the framework matures and the following three user groups of ‘contractors’, ‘clients’ & ‘consultant/designers’ are developed SECE experience is showing that the benefits of collaborative working can be developed further. The potential to aggregate programs of work – ultimately both at organisational and framework level there could be very significant benefits from putting similar projects together into packages, again as has been done successfully by SECE.

### **3.8 Saving of tender costs**

- Tendering costs for individual projects are now very significant when all procurement costs are properly accounted for. The cost of Individual OJEU Tenders is currently estimated as £75,000 to £150,000 is estimated to be the cost to clients of carrying out an OJEU tender and tenders below the OJEU works limit are often not significantly less.

*The use of a Collaborative Regional Framework eliminates costly procurement exercises for individual projects*

### **3.9 Delivering on Promises**

- Significant Cost Certainty when work commences – involving contractors early allows more/all of the project cost to be based on solid quotations/tenders from their supply chain rather than uncertain estimates
- Substantially improved Construction Time Certainty - contractors eliminate problems getting elements to site, moving those elements on site and then building them into the structure.
- Potential to further strengthen design collaboration – Rather than producing continual new designs at both project and organisational level, designs and designers, if shared can be utilised to obtain benefits of designs across multiple projects. Given scope to reduce procurement costs and design costs alike. Sharing design across framework user organisations being the ultimate goal. IESE again have successfully done work in this arena.

### **4.0 Conclusion**

*4.1 Evidence produced by IESE show the financial advantages of the above benefits to be considerable. The resultant buildings that are constructed are procured at far better overall value, in a timelier manner and will be of better quality than projects procured by alternate methods.*

**4.2** The CFSW Framework Management Team commenced work in earnest in April 2008 when the concept of the SW Regional Framework was launch and received considerable support and expression of interest from SE Public Bodies to use the framework. The Framework will be procured and mobilised by July 2009. A Framework Management Team (FMT) will be in place throughout the life of the framework, to monitor and manage the performance of contractors on a continuous basis (both at project and framework level) and ensure a universal high quality service is obtained. The FMT will also facilitate contractor selection for projects, organisation of users groups and as agents to maximise value delivered by the framework.

**4.3** It is certainly true that synergy “The sum of the parts is considerably greater than the whole” applies in its fullest sense to the CFSW initiative. It is hoped that public bodies can actively contribute to the programme so as to accrue the fullest benefit both for themselves and the region.

**- Updated June 2009 -**