

Newbuild Framework 2022/23

Stakeholder Consultation

1 BACKGROUND

- 1.1 In 2015/16, CHIC added to its suite of asset management frameworks a newbuild 'route to market' for members. This included:
 - A main contractor framework
 - A consultants framework
 - Long term contracts (15 years) for 2 MMC manufacturers – one for frame and panel systems and one for off-site modular construction (steel frame).
- 1.2 Later, in December 2020, CHIC added 3 new MMC long term (15 year) contracts for MMC contractors which can also deliver a full contracting service (turnkey).
- 1.3 In 2021 CHIC added its Development Dynamic Purchasing System (DPS), providing access via mini-tender to contractors, consultants and MMC manufacturers.
- 1.4 Throughout this period CHIC has tried to balance offering a PCR-2015 compliant 'route to market' for a range of options to suit individual member requirements with encouragement for the sector to embrace MMC as a mainstream development solution.
- 1.5 Progress has been mixed. Members have benefited from the range of solutions CHIC has had available and this has supported a variety of development project and programme delivery, but the take up of MMC solutions has been slow.
- 1.6 There has been resistance on a number of fronts, but projects offered for pilots have generally been too small to create sufficient factory volume to be price competitive.
- 1.7 In 2021 and 2022 engagement has been stronger. CHIC's newbuild frameworks expired in 2020, with new projects being procured through the DPS or long term contract options, but the framework(s) need to be renewed.
- 1.8 So, CHIC has been carrying out pre-procurement market consultation, to ensure that a new CHIC newbuild framework is fit for purpose.



2 STAKEHOLDER CONSULTATION

- 2.1 We want a framework structure that will work for our members, for contractors, for consultants and for MMC manufacturers. We want these stakeholders to help us plan how a new CHIC framework should be structured.
- 2.2 CHIC is also working to achieve the Gold Standard for public sector construction frameworks.
- 2.3 So, CHIC organised a 'round table' discussion for a wide range of stakeholders to discuss the scope and shape of a new framework. This was attended by 58 stakeholders in late July 2022. This paper summarises the outcomes.
- 2.4 As background to the round table event, CHIC circulated a briefing note which set out:

OBJECTIVE

CHIC's aspiration is to establish a new Gold Standard development framework, to offer solutions for development and regeneration schemes of all types and sizes across the UK. But as well as a route to market for members, we intend to establish a 'framework core group' that shares learning, understanding and ideas and promotes standardisation and collaboration.

KEY ISSUES

THE WHAT

CONTRACTOR SERVICES

Offering a route to market for a range of newbuild contractors, which can build traditionally, with frames and panels and full offsite solutions.

HOUSE MODULE MANUFACTURERS

A solution whereby frame and panel and full offsite manufacturers can supply modules or offer a full turnkey solution, not forgetting our commitments to net zero.

MATERIAL MANUFACTURERS AND SUPPLIERS

An opportunity for CHIC's materials manufacturers and distributors to be able to supply standard components, consistent with members asset management planned programmes.

CONSULTANCY SERVICES

Options for the selection of architects, employers agents, engineers and principal designers to advise on any type of project, but with flexibility to reflect the process constraints of the newbuild solution selected.



REGENERATION

If the framework is to meet all of CHIC's members needs, it must cover small, medium and large newbuild projects, but also have the scope to apply more widely to regeneration projects. These will embrace refurbishment, demolition and newbuild, estate and environmental regeneration works and cross subsidy sales.

THE HOW

PROCESSES

MMC teams, including contractors and manufacturers, need to be engaged at project inception, so that manufacturing efficiencies get designed in from the beginning.

STANDARDISATION

We want to promote standardisation to drive efficiency. Standard modules, materials (components), manufacturing processes and house type designs will need to be adopted, shared and progressively developed collaboratively.

CALL OFF

Members must be able to run mini-tenders where required – at any stage of the development process – but must also be able to directly award work if they so choose, with reliance upon framework tender proposals and cost models.

COLLABORATION

CHIC sees this new framework as more than just an opportunity to create a compliant procurement solution. We want framework stakeholders to be prepared to work together to share knowledge, learning, expertise, design and market intelligence to drive forward the MMC agenda in particular. Can we really get members to aggregate programmes to feed factories at scale and create sustainable jobs and apprenticeships?

DURATION

Is a four year framework agreement long enough?

FORMS OF CONTRACT

CHIC proposes to use the FAC-1 Framework Alliance Contract. This is the first standard form of Framework Alliance Contract and combines the workflow of a framework with the relationships, values and processes created by an alliance. But what about the underlying forms of project contract – do we stipulate a standard model or allow for flexibility?



THE WHERE

OVERALL GEOGRAPHY

CHIC works across England & Wales, with some projects now proposed in Scotland. Current newbuild projects span from the south coast and Carlisle to the Scottish Borders.

GEOGRAPHICAL LOTS

How do we structure our framework lots – by region, project value or both?

COST MODELS

FRAMEWORK TENDER

How do we structure the cost models? What is the right balance between sufficient detail for later direct call off contracts and over complicating the process by asking for too much detail too soon?

COST MANAGEMENT

How far should we aspire to go to build a database of cost data and intelligence? Should we expect to get a standard core superstructure price and component costs, so we de-risk key elements of project pricing?

- 2.5 At the start of the round table meeting, John Fisher, CHIC's Chief Executive who chaired the event, set out background on CHIC's newbuild experience to date and 'set the scene' for discussions concerning the above issues. This included an overview of Constructing the Gold Standard – setting new standards for framework procurement and management.
- 2.6 Attendees noted that CHIC has a current pipeline of 22 schemes for 13 members, creating a base for growth.



3 STAKEHOLDER DISCUSSIONS

3.1 Discussions were held around six round tables, each chaired by a CHIC Board Director or Team Member.

3.2 At each table were stakeholders representing:

- CHIC’s members
- Contractors
- Consultants
- MMC manufacturers

together with representation from Trowers & Hamlins (who will advise CHIC on the legal aspects of the procurement), the Off-Site Alliance and MOBIE.

3.3 Each of the six groups firstly discussed a question specific to them. These are shown below, with a summary of the conclusions reached:

TABLE 1

How should the framework be structured in terms of lots? Consider contractors, MMC manufacturers, turnkey solutions and consultants, across small, medium and large newbuild and regeneration projects. Think about geographical coverage/restrictions and project size bands. What about net zero commitments and passivhaus? What about employment and skills targets?

CONCLUSIONS

The group was keen to see flexibility built into a framework. It should cater for a range of newbuild and related solutions including:

- Contractors – brick and block, full off-site manufacture and frame and panel
- Manufacturers of MMC – to work with contractors or offer turnkey solutions
- Full regeneration options – i.e. where a scheme involves a mixture of demolition and replacement/infill newbuild related to regeneration works (homes and estates)
- Schemes with housing for sale/cross-subsidy
- Related consultancy services.

The framework should offer choice across different geographical areas and regions, but also be arranged in value bands (small/medium/large contracts).

There is potential to provide a solution for a whole range of schemes and solutions, so options for mini-tenders and direct call-off should be included.

The framework should seek to promote MMC standardisation and encourage collaboration/information sharing, to promote continuous improvement.



TABLE 2

How big should the framework be? Think about numbers of contractors, MMC manufacturers, turnkey contractors and consultants; what is the fair balance between offering a market solution for many and establishing a framework with limited work for the appointed supply chain? How long should the framework last for (standard 4 years or longer?)

CONCLUSIONS

The consensus was to achieve a balance between offering choice to suit different size projects and geography, but to contain the number of framework participants so all have a real opportunity for work. Ideally, the framework should be for longer than four years, to enable opportunities for shared learning and experience, given the length of time each development project takes.

Members should commit a meaningful scale of programme to support the framework and to attract committed contractors, manufacturers and consultants.

TABLE 3

How should CHIC run the procurement process? What is the right cost:quality balance? How many previous example projects is it fair to ask for? How do we ask about financial standing to still be fair to new entrants? What cost information do we ask for at framework tender stage and should this be based upon standard house types/scheme sizes/preliminary rates and overhead and profit percentages? How should the framework deal with inflation?

CONCLUSIONS

The views on cost:quality were firmly in favour of quality, probably 30% cost: 70% quality. Through standardisation and volume, the aim should be to share a lot of pricing information and replace decision making on price (as is so often the sectors approach for development) with value.

A cost model should utilise CHIC's standard house types and provide sufficient base cost information to cover most normal scenarios, which can then be used as a set of base data for a direct call-off. However, it should avoid being over complex or prescriptive.

The framework should get stakeholders to collaborate and encourage volume and standardisation to drive better value. Framework pricing inflation should be geared to a construction cost index (BCIS) instead of RPI or CPI.

The Restricted procedure should be used, to avoid abortive work and cost.



TABLE 4

What forms of contract should be provided for? Are you happy with using the FAC1 and Gold Standard objectives? Should we be prescriptive or flexible for call off contracts? How do we try and address contractor vs MMC manufacturer liabilities/warranties? How do we include in the framework tender standard documents that individual members/clients/consultants/ lawyers won't want to amend?

CONCLUSIONS

Discussion identified current limited knowledge of FAC-1, but strong support for a collaborative framework. CHIC should consider offering training on the FAC-1 and Gold Standard.

Some flexibility should be permitted on the forms of call-off contracts available, given the likely diversity of projects the framework may support.

The group was therefore keen to see the development and adoption of a standard set of meaningful KPIs', but at framework level, and an effective approach to managing risk.

TABLE 5

How does CHIC achieve framework market excellence to become a Gold Standard exemplar? What have we got wrong in the past and should change? What do others do differently or better? What/where is our main competition and how can we compliment rather than compete?

CONCLUSIONS

The group agreed that the housing sector is currently poor at collaborating. Newbuild programmes are too fragmented and thus not creating enough volume or standardisation to drive factory efficiencies for MMC.

Caution about MMC still leads the sector to offer only small (garage) sites as pilots, which again compromise opportunities for standardisation and volume.

It was agreed there is a big 'ask' of the housing sector to collaborate in order to adopt the recommendations in Constructing the Gold Standard. Together, CHIC's members have an opportunity to embrace MMC at scale and drive efficiencies, but to do so they need to accept some standardisation (in designs and specifications), rather than each project or client being very individual; good designs and 'sense of place' can still be delivered with standard house types.

CHIC also needs to shift the approach from the cost of construction to whole development/whole life costs.



TABLE 6

How does CHIC promote and secure maximum social value through a new framework? Given that development projects are relatively short term in relation to the term of apprenticeships, what can we do to secure suitable training and career development in construction? Can standardisation and collaborative value contribute to more social value?

CONCLUSIONS

Social value is one of CHIC's core values and it should use every opportunity to drive effective training and employment through this new framework.

The consensus was that the framework should promote social value on a project by project basis, but that CHIC should monitor delivery and coordinate collaborative working, so apprentices could be offered opportunities across multiple sites.

CHIC needs to work with the sector to promote the effectiveness of careers in construction and housing. The definition or understanding of 'local employment' needs to be restructured to recognise that when homes are built in a factory, that may be a different locality – all consistent with Levelling Up. When work is local to the site, then use local labour and sub-contractors.

- 3.4 The previous questions addressed stakeholder views and expectations for the structure and procurement of a new framework. The groups then went on to consider a key question in relation to how CHIC should aim to manage the framework, once established.

MANAGING THE FRAMEWORK

Once CHIC's Gold Standard Newbuild Framework is established, how should we manage it to encourage knowledge sharing and promote best practice? Consider structure, frequency, scope of engagement, administrative burden vs strategic benefits and marketing opportunities. How will we be able to demonstrate its net zero / environmental deliverables and how can we engage framework stakeholders in generating jobs and construction skills training?

CONCLUSIONS

The notes below summarise the conclusions reached and shared by all stakeholders:

The Gold Standard calls for effective framework management, to engage with all framework stakeholders, so the framework manager (CHIC in this instance) has a responsibility to coordinate activities for both clients (CHIC's members) and the supply chain.



It was considered that the housing sector has relied on Design and Build JCT Contracts in the main and avoided collaboration and risk sharing. By default, risk is priced in, and each new scheme effectively starts again. This is about as far from the efficiencies offered by a 'volume housebuilder' as it can be, and the framework gives a real opportunity to drive efficiencies.

CHIC should encourage members to commit order book/programme, so that potential bidders have some visibility of opportunity at framework procurement stage, and then continually advise framework participants of forthcoming projects. If contractors/consultants see project opportunities coming through the framework, they will be more likely to introduce projects, using the framework as a route to market of choice.

If the procurement can be completed in time to promote the framework at the May 2023 CHIC Conference, there is an ideal opportunity to promote its benefits to more members and generate volume.

By adopting standard specifications (with variant options), a meaningful set of framework KPIs' and a requirement for collaboration, there is a real opportunity to promote shared learning and best practice.

It was agreed that CHIC should aim to include provision for a framework 'Core Group', to get all stakeholders together on a regular basis – perhaps quarterly or six monthly – to share experience and learning. This will help to promote collaboration, standardisation and reflects recommendations in Constructing the Gold Standard.

4 NEXT STEPS

- 4.1 There was strong support for a new CHIC Gold Standard newbuild framework and the workshop gave CHIC the reassurance that this should now progress.
- 4.2 It was though acknowledged that there were still some barriers within the sector, the main ones being:
 1. Procurement on a one scheme:one tender Design & Build basis (convenience shopping).
 2. A process which engages bespoke design before the involvement of the contractor/manufacturer – losing the opportunity for standardisation and value engineering.
 3. The resistance to committing a forward order book of projects/ programme.
 4. General resistance to MMC (and concerns about manufacturers financial viability).
 5. A lack of knowledge in respect of the FAC-1 form of framework agreement.



- 4.3 But CHIC has an opportunity to address these in procuring and managing a new framework, so next steps agreed were:
- **Step 1** – further member consultation, via a survey
 - **Step 2** – CHIC to develop the suite of procurement documents
 - **Step 3** – host a further round table, prior to commencement of the procurement, to seek reassurance that the structure and approach is valid and will attract appropriate bidders
 - **Step 4** – formal procurement process
 - **Step 5** – framework launch
- 4.4 The aim to have completed Steps 1 – 4 prior to CHIC’s May 2023 Conference was reaffirmed.

5 CONCLUSION

- 5.1 This round table event was well attended by a wide range of stakeholders. The discussions were comprehensive and concluded with strong support for CHIC’s ‘direction of travel’ for the new newbuild framework.
- 5.2 CHIC would like to express its sincere thanks to all who attended the workshop for their time, knowledge, expertise and support.

CHIC Ltd
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