



Constructing the Gold Standard

An Independent Review of Public Sector
Construction Frameworks

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Contents

Introduction and Executive Summary	2	15. Delivery model assessments for frameworks and framework projects	64
Recommendations for Gold Standard construction frameworks	5	16. Framework benchmarking and Should Cost Models	66
1. What can a Gold Standard framework achieve?	10	17. Effective framework contracting	69
2. Creating a Gold Standard for frameworks.....	13	18. Framework risk management and allocation	73
3. Construction Playbook policies, safety, net zero carbon, Compact with Industry	19	19. Framework mechanisms for payment and pricing	76
4. Creating a Gold Standard for framework contracts.....	24	20. Economic and financial standing of framework suppliers	80
5. Creating a Gold Standard action plan ...	30	21. Evaluating frameworks and call-offs	82
6. Framework leadership, management and integration	32	22. Frameworks and resolution planning	86
7. Frameworks, SMEs and social value	36	23. Framework relationship management....	88
8. Frameworks and commercial pipelines	40	24. Training and guidance on Gold Standard frameworks	92
9. Framework market health and capability assessments	42	<u>Annex 1</u> Framework Review Process and Participants	94
10. Framework portfolios and longer-term contracting	44	<u>Annex 2</u> Checklist of Construction Playbook Policies and Gold Standard Frameworks	101
11. Harmonising, digitising and rationalising framework demand	47	<u>Annex 3</u> Case Studies of Collaborative Frameworks and Alliances.....	119
12. Further embedding digital technologies through frameworks.....	51	<u>Annex 4</u> Creating a Gold Standard Framework Contract.....	125
13. Framework early supply chain involvement (ESI) and Supply Chain Collaboration	56	<u>Annex 5</u> Framework Supply Chain Collaboration	131
14. Outcome-based approaches to frameworks and call-offs.....	61	<u>Annex 6</u> Sources of Relevant Guidance	134

Constructing the Gold Standard

Independent Review of Public Sector Construction Frameworks

Introduction and Executive Summary

Over 2,000 public sector construction frameworks are currently active, some of which deliver improved value and enable excellent project outcomes while others are less ambitious and less successful. Clients and suppliers urgently need a Gold Standard to help them identify what questions they should ask when creating and implementing construction frameworks, what answers they should expect and how they can make informed decisions.

In February 2021 Lord Agnew, Minister of State at the Cabinet Office and HM Treasury, announced my appointment to lead an objective, independent review of public sector construction frameworks: <https://www.gov.uk/government/news/launching-the-independent-review-of-construction-frameworks>.

The Cabinet Office announcement stated that: *'This review recognises the potential of frameworks as a powerful engine-room for implementing Construction Playbook policies that include strategic planning, integrated teams, continuous improvement and the delivery of better, safer, faster and greener project outcomes.*

The Framework Review will lead to recommendations for:

- *the components of a 'gold standard' against which new proposed frameworks and framework contracts can be measured*
- *standard contract terms that support the new gold standard*
- *training packages to enable adoption of the new gold standard*

This will enable contracting authorities to easily identify those frameworks which meet best practices and embody the policies set out in the playbook.

The Construction Playbook was launched on 8 December 2020 containing 14 key policy reforms to enable 'faster, better, greener' construction by transforming how we assess, procure and deliver public works projects and programmes.

One of these key policy reforms is 'Effective Contracting', designed to ensure that contracts are structured to support an exchange of data, collaboration, improve value and manage risk with clear expectations for continuous improvement and consistent with the principles contained within the Construction Playbook.

The Construction Playbook contains a commitment to undertaking a review of current construction frameworks, this is integral to achieving the aims of effective contracting.

Commercial frameworks have been proven to provide a powerful tool for strategic planning, integrated teams, continuous improvement and the delivery of better, safer, faster and greener project outcomes. Across the public and private sectors, there are a wide variety of frameworks and a lack of clear guidance as to their preferred structure and 'best practice' features. As a result, the potential of frameworks is not always well expressed or well understood and they are not always successful in delivering their aims.

Recommendations for the adoption and use of the most suitable framework structures and features are necessary in order to provide clear drivers that will deliver the policies set out in the Construction Playbook.'

I am very grateful for the review contributions provided by 20 major framework providers and over 100 clients, suppliers and advisers. They have highlighted construction framework practices that drive successful outcomes and others that impede progress, including varying levels of leadership, professional management and client commitment. They have shown how Gold Standard framework providers and clients

should take the lead and invest in framework strategies, procurement, contracts and management that deliver demonstrable value for money. They have also shown how Gold Standard suppliers should support frameworks through shared commitments to improved outcomes and transparent professional practices.

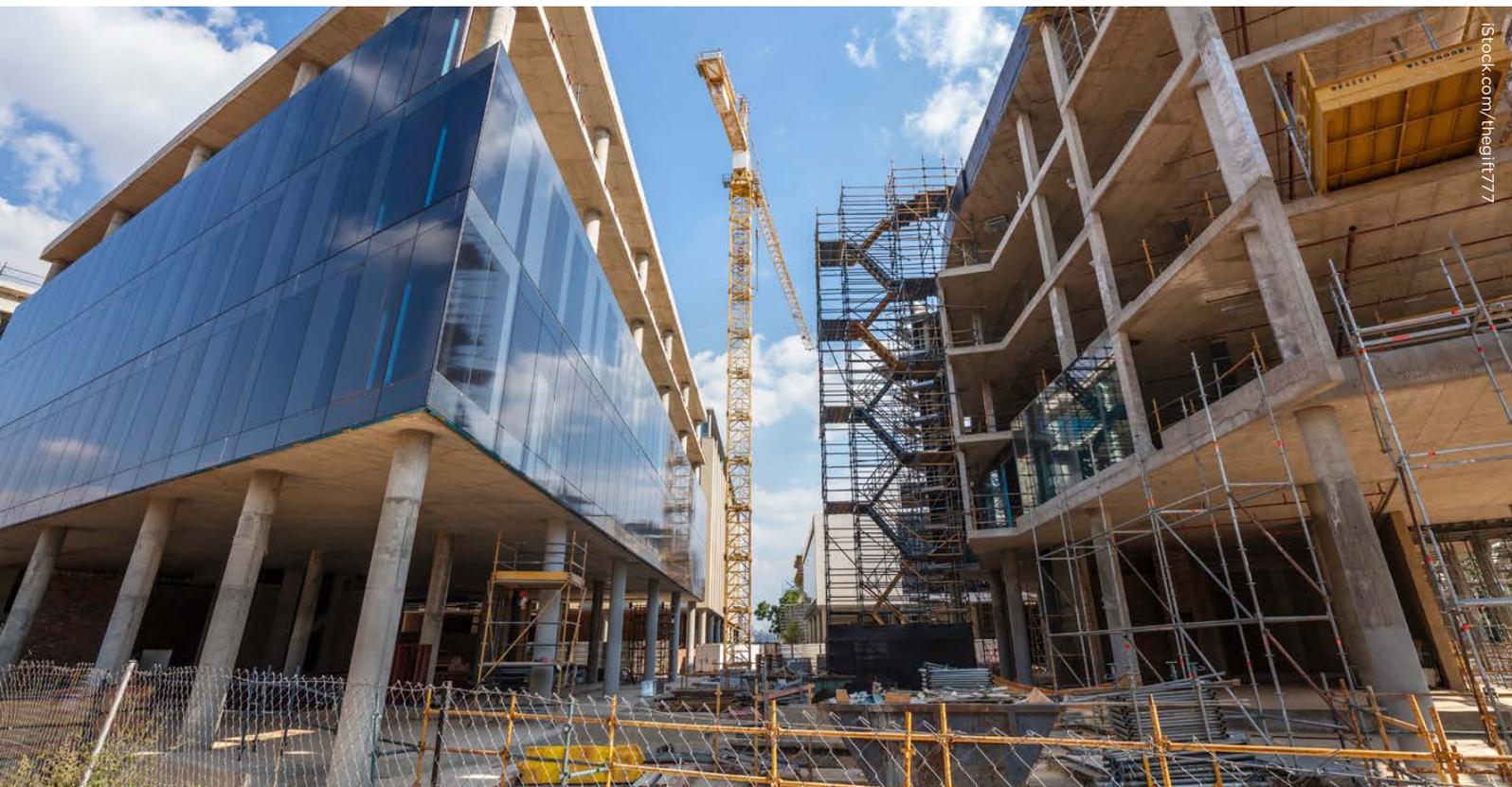
Construction frameworks are widely recognised as the best medium through which procurement and contracting can deliver transformational improvements, overcoming the *'Groundhog Day'* of lost learning from one project to the next. This review does not suggest a single kitemark or a box-ticking approach to Construction Playbook compliance. It provides 24 Gold Standard recommendations with detailed supporting actions designed to improve the outcomes delivered by framework strategies, procurement, contracting and management and to avoid the pitfalls of bureaucratic and inconsistent practices.

Significant cost and time are wasted by public sector clients and bidders procuring multiple, speculative construction frameworks that are not connected to specific pipelines of work. Review participants report average bid costs for each major framework of over £247,000 for contractors and over £130,000 for consultants, with a maximum of up to £1 million in each

case. These costs, and the procurement costs incurred by clients, will be substantially reduced if government and industry clarify the scope of each framework and if they adopt a new Gold Standard for selection questionnaires, evaluation criteria, framework contracts, outcome-based performance measures and incentives.

Contractors and consultants report uncertainty as to how public sector construction frameworks provide the long-term opportunities that are needed to drive improved value. Transformational change will only come if Gold Standard frameworks create aggregated and harmonised programmes of work, and if they attract new commitments to improved value for money, efficiency, safety, social value, net zero carbon and whole life value.

The framework contracts shared by clients and framework providers include high-level objectives that reflect a range of Construction Playbook policies for improving value and reducing risk. However, most of these framework contracts do not include the detailed machinery through which clients, suppliers and supply chain members can translate their high-level objectives into agreed actions with clear timescales and expected outcomes.



Framework contracts will not fulfil their potential if they govern only call-off, measurement and administration. Review contributors support a Gold Standard framework alliance contract that is collaborative, outcome-focused and flexible, with processes that drive improved value and integrate the work of framework providers, clients, managers, suppliers and supply chain members. They support contractual commitments to early supply chain involvement (ESI), digital technologies, modern methods of construction (MMC) and joint risk management. Contributors also highlight the importance of government-led training on new framework procurement and contracting practices so that Playbook reforms are not lost in the *'Bermuda Triangle'* of idealistic debate, cynical criticism and unrealised good intentions.

For example, review participants report that ESI improves value for both clients and suppliers but that many clients do not adopt ESI for framework call-off when consultants unconnected with the framework advise a single stage, lowest price approach. Gold Standard framework providers and clients need to ensure that consultants use all the systems by which Playbook policies deliver improved economic, social and environmental value. These include project level ESI and also framework level ESI through contractor-led 'Supply Chain Collaboration'.

This review is designed to help clients and suppliers to measure Gold Standard frameworks against Construction Playbook policies and to ensure that their framework strategy, procurement, contracting and management practices deliver:

- Better, safer, faster and greener outcomes from projects and programmes of work
- Net zero carbon and social value targets through agreed joint actions
- Improved safety through whole life value and optimal use of digital information
- Industry investment through aggregation, standardisation and optimal use of MMC
- Improved efficiency and innovation through strategic use of ESI
- Improved contributions from SMEs, including local and regional businesses
- Efficiency savings for clients and industry through consistent, transparent documents
- Savings for clients and industry through collaboration and dispute avoidance.

This review shows how clients and suppliers can create and implement a Gold Standard framework alliance contract which includes:

- An outcome-based strategic brief that drives economic, social and environmental value with strategic supplier proposals for delivering that brief
- Multi-party relationships that align objectives, success measures, targets and incentives with commitments to joint work on improving value and reducing risk
- A timetable of strategic actions to improve integration, value and outcomes, for example using MMC, digital technologies, ESI and Supply Chain Collaboration
- Transparent costing, call-off, performance measurement and incentives that provide a fair return for suppliers and drive value rather than a race to the bottom
- Framework management systems that support collaboration and dispute avoidance.

This review illustrates how clients and suppliers can create and implement collaborative Gold Standard action plans under their current frameworks, for example using supplemental framework alliances to convert their improved value objectives into agreed systems and timetables that deliver better, safer, faster, greener projects and programmes of work.

With the support of cross- disciplinary training, practical guidance and shared experience, Gold Standard construction frameworks will fulfil their potential as a powerful engine- room for improved value, reduced risks and excellent project outcomes.

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Recommendations for Gold Standard construction frameworks

Frameworks offer a dynamic and strategic medium for implementing Construction Playbook policies in ways that break the cycle of lost learning and deliver faster, better, greener construction. Frameworks require sustainable contracts through which clients and suppliers can *‘think long-term, manage risks and share information more effectively, be flexible when things need to change and ultimately deliver continuous improvement and real value’*.

Recommendations for Gold Standard public sector construction frameworks are summarised below by reference to the 24 numbered sections of this review, which mirror the structure and requirements of the Construction Playbook. The recommendations in this review include specific activities which should be implemented at each stage in the life of a construction framework, namely its strategy, procurement, contract and management.

Although most Gold Standard recommendations start with framework providers, clients and managers, their successful implementation also depends on suppliers and supply chain members adopting equivalent framework practices and commitments.

Recommendation 1: Use the Gold Standard features of frameworks, framework contracts and action plans to measure Construction Playbook implementation on a ‘comply or explain’ basis (page 12)

To provide an objective and measurable basis for implementation of Construction Playbook policies on a ‘comply or explain’ basis, this review recommends that Cabinet Office assesses the ways in which public sector clients and suppliers adopt and apply the features of a Gold Standard framework, a Gold Standard framework contract and a Gold Standard action plan.

Recommendation 2: Ensure that all Gold Standard features are adopted by clients and suppliers when comparing the different construction frameworks on offer (page 18)

For clients and suppliers to make informed decisions when comparing the many construction frameworks on offer, this review recommends that they adopt the features of a Gold Standard framework, a Gold Standard framework contract and a Gold Standard action plan to identify the questions they need to ask and the answers they should expect.

Recommendation 3: Require that all public sector construction frameworks prioritise safety, net zero carbon and the Compact with Industry (page 23)

In order to deliver government priorities and the Compact with Industry, this review recommends that framework providers, clients and suppliers make clear how their framework strategy, procurement, contract and management will achieve improved building safety, net zero carbon targets, long-term relationships, fair returns, equitable treatment of risk, rewards for faster, better and greener delivery and collaboration at all levels of the supply chain.

Recommendation 4: Reduce procurement costs, improve value and reduce risks by wider adoption of a standard form Gold Standard framework alliance contract (page 29)

To achieve efficiency savings by reducing waste, confusion and duplication, and to replicate the substantial value improvements shown in collaborative framework case studies, this review recommends the wider adoption of a standard form framework alliance contract that:

- Aligns the objectives, success measures, targets and incentives of clients and suppliers
- Provides transparent performance measurement and work allocation procedures
- Requires joint work by clients and suppliers to improve value and reduce risks
- Translates framework objectives into actions with clear timescales and outcomes.

Recommendation 5: Create contractually binding Gold Standard action plans to convert framework objectives into actions and timetables that deliver improved economic, social and environmental outcomes (page 31)

In response to the need for urgent implementation of Construction Playbook policies in ways that achieve the ambitions of government and industry, this review recommends that framework providers, clients and suppliers create contractually binding action plans that convert improved value objectives under their existing framework contracts into shared strategic commitments and that state agreed actions and timetables.

Recommendation 6: Invest in framework management that demonstrates value for money for clients and suppliers (page 35)

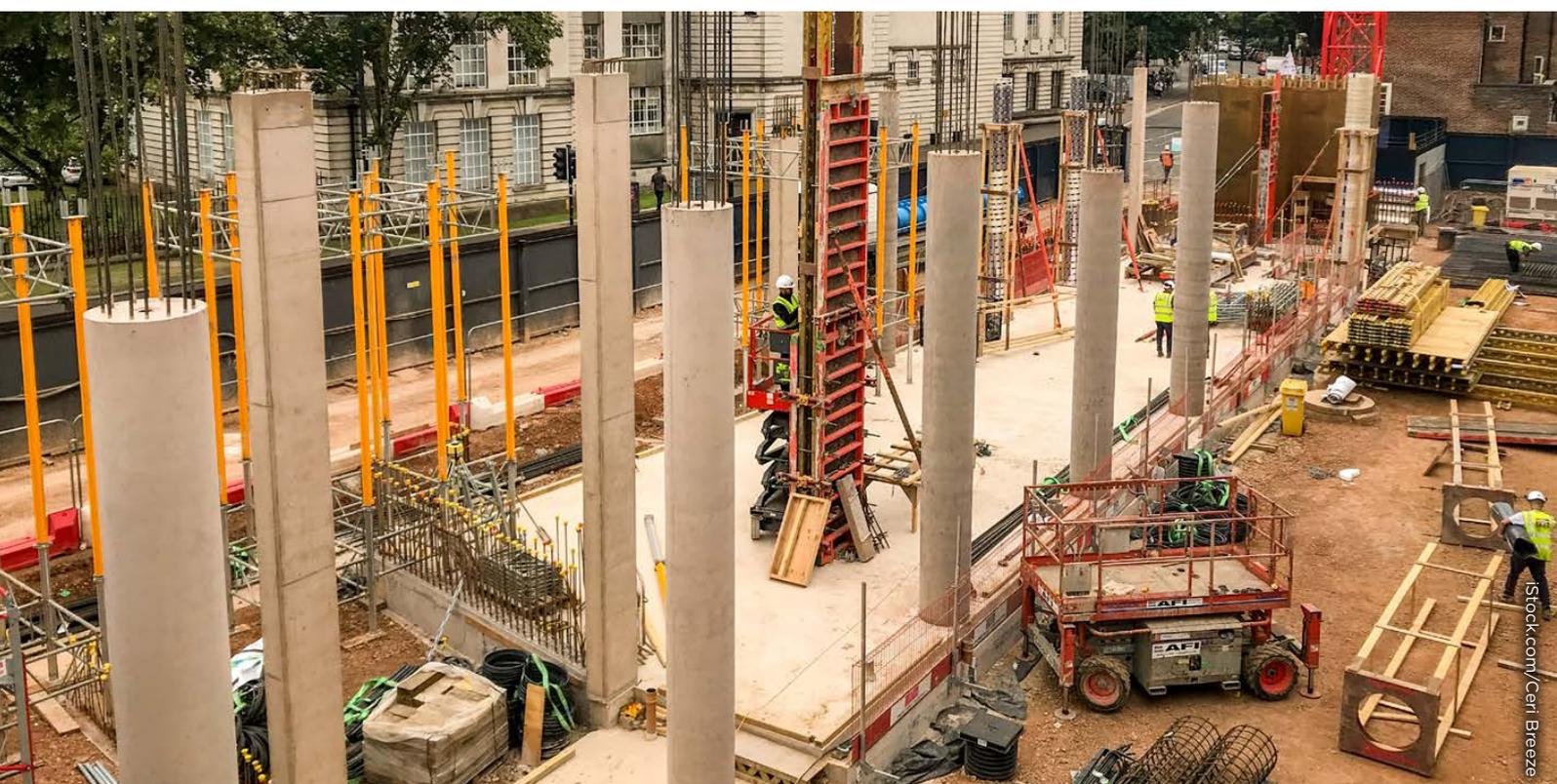
In response to industry concerns regarding varying levels of framework leadership and management, this review recommends that framework providers invest in framework management responsibilities which demonstrate value for money for clients and suppliers and which include integration of strategic interests, support for collaborative joint working and assurance that framework commitments and opportunities are understood and implemented, including where consultants are appointed from outside the framework.

Recommendation 7: Capture improved value by identifying SME strengths and use Supply Chain Collaboration systems to maximise social value (page 39)

To capture improved value from the contributions of SMEs, this review recommends that framework providers, clients and managers make framework appointments using evaluation criteria that identify SME strengths, and also use 'Supply Chain Collaboration' to create supplier-led alliances with supply chains that include local and regional businesses. To maximise social value, including improved employment, skills and environmental sustainability and the combatting of Modern Slavery, framework contracts should convert social value objectives into shared action plans with timescales and expected outcomes.

Recommendation 8: Avoid wasted procurement costs and improve supplier commitments by ensuring that frameworks offer sustainable pipelines of work (page 41)

In response to industry concerns regarding the significant cost and time wasted by clients and suppliers in procuring speculative frameworks, and in order to optimise competitive bids and strategic commitments from prospective suppliers, this review recommends that framework providers and clients make clear in all their framework procurements the pipelines of work to which they commit and the preconditions to implementing those commitments.



Recommendation 9: Use pre-procurement framework consultation to explore emerging technologies and innovations and to identify opportunities in the market (page 43)

To incentivise improved outcomes, to optimise competition and to improve market health and capability, this review recommends that framework providers and clients use pre-procurement framework consultation to explore emerging technologies and innovations and to identify relevant opportunities and limitations in the market, and that their framework strategies, procurements and contracts embody this pre-procurement learning.

Recommendation 10: Reduce procurement costs and improve value through the award of longer-term call-off contracts and the incentive of additional work (page 46)

In response to industry concerns regarding inefficient and costly mini-competitions, this review recommends that framework providers and clients establish as part of their framework strategy the optimum duration, scope and continuity of framework call-offs, including the potential benefits of awarding long-term project contracts or additional project contracts without additional mini-competitions, and that framework providers and clients obtain supplier proposals as to how these awards will lead to innovations and investments that deliver improved productivity and efficiency savings.

Recommendation 11: Improve supplier investments in MMC and other offsite technologies by awarding framework call-off contracts for portfolios of work (page 50)

To obtain improved value from suppliers planning, investing in and delivering MMC and other offsite manufacturing technologies, this review recommends that framework providers, clients and managers use their framework strategies, procurements and contracts to explore and agree the benefits of MMC and other offsite manufacturing technologies and the additional benefits of one or more clients calling off aggregated portfolios of work.

Recommendation 12: Create a whole life golden thread of asset information using BIM and other digital technologies integrated under a framework alliance contract (page 55)

To improve performance, safety, sustainability and value for money over the whole life of built assets, this review recommends that framework providers, clients, managers and

suppliers use BIM and other digital technologies to standardise data generation, classification, security and exchange and to retain and manage a golden thread of building information, and that framework alliance contracts support these actions by integrating the information management systems of clients, suppliers and supply chain members.

Recommendation 13: Improve economic, social and environmental outcomes through framework early supply chain involvement (ESI), using Supply Chain Collaboration systems in all framework contracts (page 60)

To maximise the improved value demonstrated by ESI in collaborative framework case studies, including efficiency savings, improved quality and safety, improved social value and reduced GHG emissions, this review recommends that framework providers, clients and managers use framework ESI to obtain and evaluate supplier and supply chain insights, innovations and proposals, including a contractual 'Supply Chain Collaboration' system through which to create strategic supply chain relationships that improve project outcomes.

Recommendation 14: Incentivise innovative solutions by creating specifications for frameworks and call-offs that focus on required client outcomes (page 63)

To identify and incentivise improved project outcomes through a mutually beneficial approach to sharing ideas and innovative solutions, this review recommends that framework providers, clients and managers use specifications that focus on required client outcomes, that they include a whole life carbon assessment which minimises GHG emissions, that they use a 'Project Outcome Profile' linking performance criteria to supplier incentives, and that they clarify which intellectual property rights are relevant to the needs of clients and suppliers.

Recommendation 15: Use delivery model assessments to inform and support framework strategies, procurement, contracting, management and call-off (page 65)

To identify the best delivery model for each prospective framework project or programme of work, this review recommends that framework providers and clients include in their framework strategies an evidence-based delivery model assessment, that they reflect the chosen delivery model or models in their framework

procurement, call-off and management systems, and that framework managers provide guidance to clients on how to choose the most appropriate delivery model when calling off each project.

Recommendation 16: Assess and control the costs of framework deliverables through the use of evidence-based benchmarks and whole life Should Cost Models (page 68)

To assess framework deliverables in respect of cost, schedule, GHG emissions and other expected outcomes, and in order to maintain cost controls that support call-off, ESI, performance measurement, value improvement and other framework processes, this review recommends that framework providers, clients and managers use benchmarks based on information from past projects and programmes and that they create 'Should Cost Models' forecasting what each framework project or programme should cost over its whole life.

Recommendation 17: Integrate the mutual commitments of framework providers, clients, managers and suppliers through the terms of a Gold Standard framework alliance contract (page 71)

To integrate the mutual commitments of framework providers, clients, managers and suppliers, this review recommends that effective framework contracts incorporate:

- An outcome-based strategic brief that drives economic, social and environmental value with strategic supplier proposals for delivering that brief
- Multi-party relationships that align objectives, success measures, targets and incentives with commitments to joint work on improving value and reducing risk
- Enterprise contract systems and a timetable of strategic actions that improve information, integration, value and outcomes, for example using MMC, digital technologies, ESI and Supply Chain Collaboration
- Transparent costing, call-off, performance measurement and incentives that provide a fair return for suppliers and drive value rather than a race to the bottom
- Framework management systems that support collaboration and dispute avoidance.

Recommendation 18: Allocate risks based on framework market engagement and use joint framework systems for early risk mitigation and efficient responses to risk events (page 75)

To address industry concerns regarding costly and unsustainable risk transfer, this review recommends that framework providers, clients and managers implement risk allocation informed by market engagement, that they create and update a shared contractual risk register with suppliers to jointly manage risks at framework level and help eliminate, reduce and mitigate potential risks on framework projects, and that they respond efficiently to framework risk events through a framework early warning system and joint decision-making group.

Recommendation 19: Create transparent pricing mechanisms for frameworks and call-offs that maximise cost certainty and ensure prompt payment (page 79)

In order to drive improved value and fair treatment, this review recommends that framework providers, clients and managers create payment and pricing mechanisms for framework projects and programmes of work that maximise cost certainty, that identify agreed fees, profit and overheads separately from other costs, that incentivise desired outcomes and that require clients and suppliers always to pay their supply chain promptly.

Recommendation 20: Reduce procurement costs by consistent and proportionate assessment of economic and financial standing using 'PAS91' or the 'Common Assessment Standard' (page 81)

In response to industry proposals that more consistent and proportionate procedures for assessing the economic and financial standing of framework suppliers will reduce waste and duplication, creating efficiency savings for clients and industry, this review recommends that all framework providers and clients use 'PAS91' or the 'Common Assessment Standard', with levels of stringency established by a 'Contract Tiering' tool that applies higher thresholds to more critical projects.

Recommendation 21: Evaluate proposals for frameworks and call-offs proportionately and consistently using balanced criteria that include quality, social value and net zero GHG emissions (page 85)

In response to industry proposals that more proportionate and consistent evaluation systems for framework procurement and call-off will reduce waste and duplication and will create efficiency savings for clients and industry, this review recommends that framework providers, clients and managers establish and apply balanced evaluation criteria that examine all relevant aspects of value, that enable differentiation between qualitative bids, that reflect expected client outcomes and that incentivise improved value objectives aligned to government priorities including social value and net zero GHG emissions by 2050.

Recommendation 22: Establish shared and transparent framework systems through which to manage and mitigate the risks of a supplier's financial distress (page 87)

So that framework providers, clients, managers and suppliers use the stability of their long-term framework relationships to manage a supplier's financial distress and to mitigate its impact, this review recommends that framework providers and clients establish flexible and transparent systems for resolution planning in their framework contracts, including rapid response to early warnings.

Recommendation 23: Improve framework outcomes by creating collaborative systems for the management of framework relationships and strategic supply chain relationships (page 91)

To drive improved framework outcomes through clear mutual understanding, effective problem-solving and dispute avoidance, this review recommends that framework providers, clients and managers create collaborative systems for managing framework relationships and that these are mirrored by suppliers in strategic supply chain relationships. These systems should include a 'Core Group' or equivalent joint decision-making group through which to manage strategic planning, value improvement, risk reduction and dispute avoidance.

Recommendation 24: Support the adoption of Gold Standard frameworks, framework contracts and action plans through government-led training and guidance (page 93)

In order to help framework providers, clients, managers and suppliers implement Construction Playbook policies through the widespread adoption of Gold Standard frameworks, Gold Standard framework contracts and Gold Standard action plans, this review recommends that Cabinet Office leads the development of accessible, cross-disciplinary training and guidance, and that clients and industry contribute their experience, feedback and case studies to create a compelling body of shared knowledge.



Constructing the Gold Standard

Independent Review of Public Sector Construction Frameworks

1. What can a Gold Standard framework achieve?

This review provides clients and suppliers with the questions they should ask and the answers they should expect in order to choose between the many hundreds of public sector construction frameworks that are currently procured each year. It explains the features of a Gold Standard framework, a Gold Standard framework contract and a Gold Standard action plan, and it shows how together these provide a powerful engine-room for implementing Construction Playbook policies and for delivering better, safer, faster and greener projects.

Review consultation has assessed the current landscape of public sector construction frameworks, analysing the experience and good practice shared by clients and industry in order to develop recommendations for a Gold Standard framework, a Gold Standard framework contract and a Gold Standard action plan. These Gold Standards are not a single kitemark or a box-ticking approach to Construction Playbook compliance. They comprise a matrix of proven components that create a fresh approach to framework strategies, procurement, contracting and management, and that avoid the pitfalls of bureaucratic and inconsistent practices.

This review provides the criteria against which clients and suppliers can establish the strategy, procurement, contracting and management of a **Gold Standard framework**, can identify how they adopt Construction Playbook policies and can measure how they deliver:

- Better, safer, faster and greener outcomes from projects and programmes of work
- Net zero carbon and social value targets through agreed joint actions
- Improved safety through whole life value and optimal use of digital information
- Industry investment through aggregation, standardisation and optimal use of MMC

- Improved efficiency and innovation through strategic use of ESI
- Improved contributions from SMEs, including local and regional businesses
- Efficiency savings for clients and industry through consistent, transparent documents
- Savings for clients and industry through collaboration and dispute avoidance.

This review provides the criteria against which clients and suppliers can establish a **Gold Standard framework contract**, and it illustrates how a framework contract can improve value, reduce risks and contribute to project outcomes through:

- Framework management systems that support collaboration and dispute avoidance.
- An outcome-based strategic brief that drives economic, social and environmental value with strategic supplier proposals for delivering that brief
- Multi-party relationships creating a *'framework alliance'* that aligns objectives, success measures, targets and incentives with commitments to joint work on improving value and reducing risk
- A timetable of strategic systems to improve integration and outcomes by implementing digital technologies, MMC, ESI and the Government's recommended system of contractor-led *'Supply Chain Collaboration'*
- Transparent costing, call-off, performance measurement and incentives that provide a fair return for suppliers and drive value rather than a race to the bottom.

This review illustrates how clients and suppliers can create and implement a collaborative **Gold Standard action plan** under their current frameworks, using joint activities such as supplemental framework alliances to convert their improved value objectives into agreed systems and timetables that deliver better, safer, faster, greener project outcomes.

The Construction Playbook requires 14 key procurement policies to be implemented 'on a comply or explain basis' (p.10) as drivers for better, safer, faster and greener construction, and this review considers the role of frameworks in providing an objective and measurable basis for implementing these policies. The Playbook connects procurement, contracts, people and technology in order to 'meet the joint challenge of more sustainable contracts' and in order to 'build relationships and trust through how we contract, think long-term, manage risks and share information more effectively, be flexible when things need to change and ultimately deliver continuous improvement and real value' (p.44). The Playbook provides a unique opportunity for clients and industry to use construction frameworks as a means to energise the economic recovery from the Covid-19 pandemic and through which to put collective energy into finding new solutions that improve outcomes and reward excellence.

The Playbook shows how improvements in project outcomes can be driven by improvements in procurement and contracting practices. However, the good practices that are developed and proven on a standalone project are not easily transferable for adoption by other clients and suppliers because:

- Personnel from different organisations in each new project team are unfamiliar with each other and there may only be a limited level of trust
- Procurement systems for each project provide little opportunity for achieving incremental improvements in efficiency and effectiveness
- Good ideas and efficient practices can be lost when a project team disbands.

Breaking the cycle of lost learning

There is a frustrating sense of 'Groundhog Day' when we have to build relationships from scratch with each new team on each new project. A framework provides the opportunities

we need to break this cycle of lost learning and to achieve more systematic progress. There is much greater scope for a framework to achieve improved value because the prospect of multiple projects attracts increased personal commitment and corporate investment, because suppliers can plan with a clearer understanding of potential additional work, and because team members can be expected to learn from project to project.

£180bn of public sector frameworks were considered in this review.

Construction project teams can suffer from fragmentation where different specialist disciplines work in sequence or in parallel, focusing on different elements of design, manufacture, construction and operation rather than the whole asset and its whole life cycle. There is also a tendency to compartmentalise the skills applied to strategy, procurement, contracting and management as if they do not relate to the same project. Frameworks can break down these barriers by creating complete teams with aligned long-term interests.

This review has considered public sector contractor frameworks and consultant frameworks delivering construction and infrastructure with a combined value of over £180 billion. Review participants have expressed their commitment to the Construction Playbook reforms and have stated their support for frameworks as the preferred means through which to implement Construction Playbook policies. Detailed contributions from framework providers, clients, suppliers and advisers have described the potential of frameworks and have set out recommendations for improved framework practices.

The Construction Playbook recognises that 'frameworks are an efficient method for government to procure public works, services and supplies', but that 'using frameworks inappropriately can have negative consequences for contracting authorities, markets and suppliers, and can unintentionally inflate prices' (p.42).

Frameworks can and should provide systematic approaches to improving project and programme outcomes, to improving

the efficiency of design, construction and asset operation, to improving safety and risk management, and to delivering net zero carbon targets and social value. This review recognises the dedication and achievements of framework providers, clients, managers and suppliers but it suggests that frameworks can do more, using the Playbook policies as a guide in changing up through the gears towards the components of a Gold Standard.

The recommendations of this review are intended to take framework providers, clients, managers, suppliers and advisers beyond the comfort zone of current practices by helping them to:

- Create and drive Gold Standard action plans for implementing Construction Playbook policies under their current frameworks
- Develop new and improved Gold Standard framework strategies, procurement processes, framework contracts and management practices that optimise the implementation of Construction Playbook policies in future frameworks.

The components of a Gold Standard for public sector construction frameworks, framework contracts and action plans should enable clients and industry to create a more powerful engine room for construction investment, innovation and improved project outcomes.

Recommendation 1: Use the Gold Standard features of frameworks, framework contracts and action plans to measure Construction Playbook implementation on a ‘comply or explain’ basis

To provide an objective and measurable basis for implementation of Construction Playbook policies on a ‘comply or explain’ basis, this review recommends that Cabinet Office assesses the ways in which public sector clients and suppliers adopt and apply the features of a Gold Standard framework, a Gold Standard framework contract and a Gold Standard action plan.



2. Creating a Gold Standard for frameworks

The Construction Playbook proposes a new 'gold standard for frameworks' which 'will enable contracting authorities to easily identify those frameworks which meet best practices and embody the principles and policies set out in this Playbook' (p.43).

Public sector clients and framework providers who lead 20 current frameworks and framework alliances have shared details of their strategies, procurement processes, contracts and management practices. These frameworks and framework alliances demonstrate many components of a Gold Standard and their clients, managers and suppliers are well placed to take the next steps recommended in this review.

Over 100 other clients, framework providers, regulators, good practice bodies, contractors, specialists, architects, engineers, project managers, surveyors, lawyers and advisers have contributed to this review. Details of the review process and the participants are set out in **Annex 1. Participants have shared constructive proposals and case studies drawn from their experience of current contractor and consultant frameworks. Their contributions have highlighted how current practices can drive successful outcomes from current frameworks, and how other practices can impede progress.** Their guidance has been taken into account when framing the components of a Gold Standard for frameworks and framework contracts.

Current frameworks and framework alliances

Current frameworks and framework alliances illustrate different approaches to delivering successful outcomes from projects and programmes of work while exploring the potential for improved economic, social and environmental value. They include:

- Regional and national construction and engineering projects and programmes of work for multiple Government departments and a wide range of other public sector clients, delivered through the framework alliances led by Crown Commercial Service
- Major infrastructure programmes delivered through frameworks and alliances led by the Environment Agency, Highways England and Network Rail

- National and regional programmes for the construction and improvement of schools, healthcare facilities and custodial facilities delivered through frameworks and framework alliances led by Department for Education, NHS P22, NHS Shared Business Services and Ministry of Justice
- Large-scale programmes of improvement to government estates delivered through frameworks led by Department of Work and Pensions and by H.M. Revenue and Customs
- Regional and national frameworks and framework alliances delivering construction and engineering projects and programmes of work for local authorities and other public sector clients led by:
 - Constructing West Midlands
 - LHC
 - Midlands Highway Alliance
 - North East Procurement Organisation
 - North West Construction Hub
 - Scape
 - South East and Mid-Wales Collaborative Construction Framework
 - South West Wales Regional Contractors Framework
 - Southern Construction Framework
 - YORhub
- The Construction Playbook pathfinder sub-alliance led by Ministry of Justice, using the Crown Commercial Service framework alliance to deliver an integrated, collaborative approach to MMC, BIM, ESI and Supply Chain Collaboration on a programme of four prisons.

The review has looked at frameworks designed for national and regional programmes of work in England, Wales, Scotland and Northern Ireland. Review contributors include clients, framework providers and suppliers in each of the four nations. In all these locations public sector frameworks vary according to whether they are procured by:

- One client
- A group of connected or unconnected clients
- A framework provider on behalf of a range of identified and unidentified clients.

Frameworks also vary according to whether they are designed to govern:

- Committed or speculative programmes of work, services or supplies
- Generic types of works, services or supplies
- Works, services or supplies in a single sector or bridging multiple sectors
- Programmes of work in one or more different regions.

Creating framework strategies

This review recognises that frameworks are created for different purposes in different sectors and to meet varying national and regional needs. Wherever possible, the review recommendations focus on principles that are common to all framework types and that support a Gold Standard for all frameworks and framework contracts. These recommendations are designed to offer clients and suppliers a route through the maze that will help them to understand and identify the features of a Gold Standard framework and a Gold Standard framework contract, and that will enable them to distinguish between the many frameworks and framework contracts currently on offer.

A framework can create a sound commercial strategy for its clients, managers and suppliers if it enables and governs an attractive amount of work, if it sets out fair procedures governing how that work is awarded and if it establishes the means by which performance should improve over time. A framework can also strengthen and integrate the systems of preconstruction phase planning for each project and programme of work, and it can improve the quality of information shared and used to underpin safe and efficient design, construction and operation.

In these ways a framework provides a flexible and dynamic model for a long-term contract that delivers the efficient and collaborative procurement of projects, portfolios of work and pipelines of multiple projects. However, there are a huge number of public sector construction frameworks in the marketplace. Review participants have illustrated how the potential of these frameworks is not always well expressed or well understood and how they are not always successful in delivering their aims.

When do frameworks fail?

This review has considered concerns expressed by clients and industry as to the reasons why frameworks fail to achieve their intended benefits, and proposals as to the changes that will deliver improved results. In a complex web of construction sector activities and relationships, there is widespread frustration that the reforms needed to underpin efficient strategic construction procurement keep being postponed. Common themes raised by review participants include:

- The large number of competing frameworks and the lack of objective standards to help clients and industry assess their merits
- Lack of clarity as to the pipelines of work that are planned or committed to be procured under specific frameworks
- The use of some frameworks as a shortcut to market, with limited machinery for framework level collaboration and value improvement
- The cost and waste of creating and responding to onerous and inconsistent selection questionnaires and bespoke framework contracts
- Complex performance measurement systems that are not used for rewarding excellence, awarding work or sharing improved practices
- Limited understanding and adoption of digital technologies, MMC, ESI and whole life procurement
- Limited commitments to strategic delivery of improved social value, net zero carbon targets and other environmental value
- Poor communication by framework managers, including lack of feedback and lack of shared learning from framework initiatives and project performance.

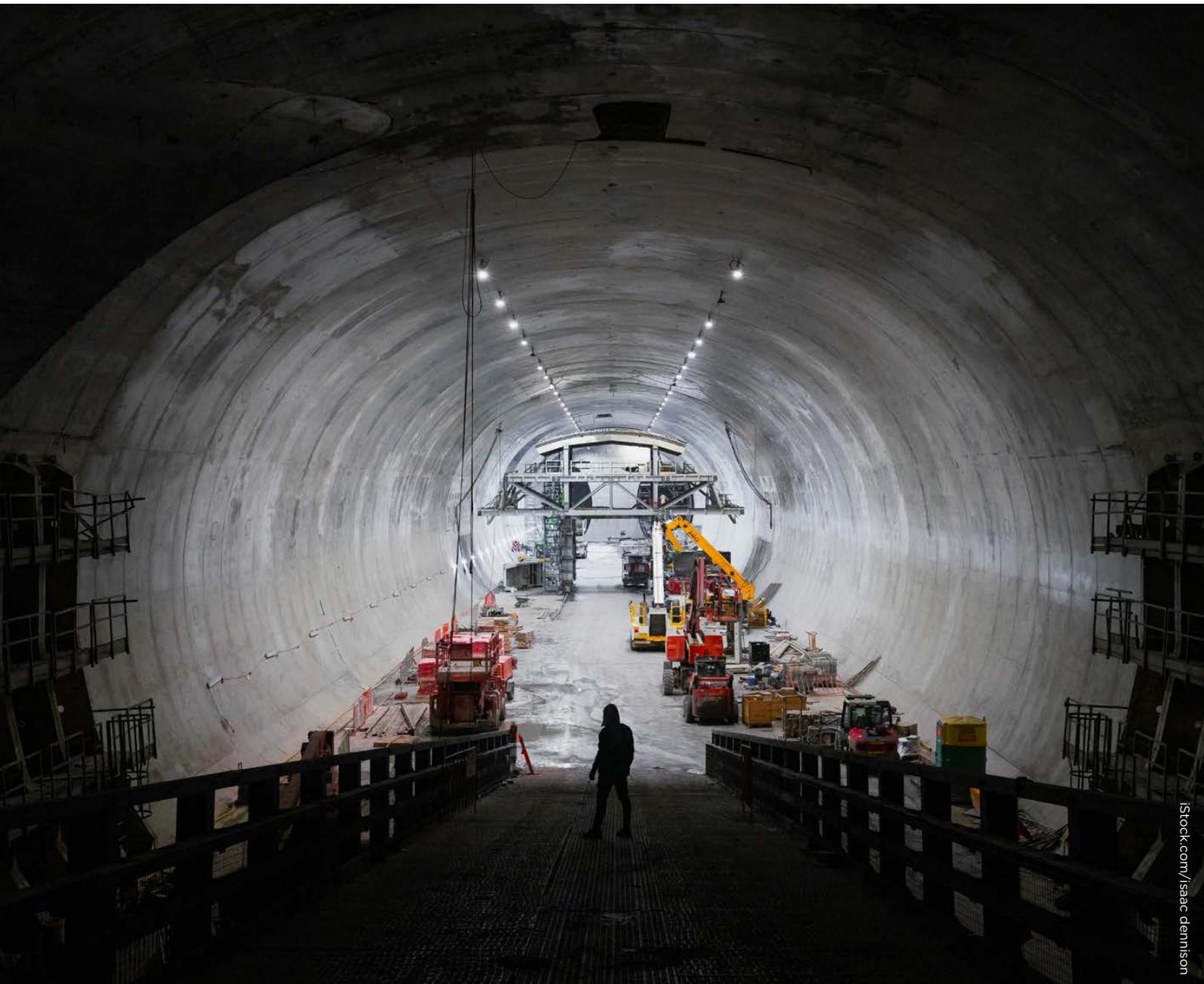
Review participants are concerned by the large number of public sector construction frameworks, of which Build UK calculate that over 2,000 are currently active. The claimed value of frameworks often exceeds the amount of work actually on offer, leading to shortfalls in the value of the projects awarded to selected framework suppliers. There is significant wasted cost and time for clients and for bidders in procuring multiple, speculative frameworks that are not connected to specific pipelines of work.

Over 2,000 public sector construction frameworks are currently active.

There is a 20-25% chance of a supplier winning a framework project if the average success rate in framework bids is combined with the average success rate in call-off bids. Review participants report that, in addition to client procurement costs, the average bid cost for each major framework is over £247,000 for contractors and

over £130,000 for consultants, with a maximum of up to £1 million in each case. If one in four bids are successful, then up to £4 million must be recovered before a supplier delivers any value at all. Ultimately, all bid costs are recovered from clients, and these costs can only be justified if they enhance the quality of frameworks and contribute to significant value improvements.

Up to £1 million is spent by industry on a major framework bid.



Avoiding wasted cost and time

Industry review participants state that significant savings can be achieved, and more money can be invested in better, safer, faster, greener project outcomes, if framework providers and clients help the industry to reduce the time and money that is currently wasted as a result of:

- Speculative frameworks that are not connected to specific pipelines of work
- Inconsistent and repetitive selection questionnaires
- Overly complex bid questions that are not directly related to framework programmes
- Onerous and inconsistent framework contracts
- Complex performance measurement reports that are not used for value improvement
- Excessive use of mini-competitions for individual projects
- Hesitation to use the award of more work as an incentive for excellent performance.

Industry review participants also comment that the implementation of Construction Playbook policies will be obstructed if framework clients continue to:

- Destabilise relationships by shopping among many different frameworks based on the lowest framework provider fee levels
- Do not participate in framework objectives or even use their own frameworks
- Issue call-off briefs at short notice without sufficient time for project planning
- Appoint project team members from different unconnected frameworks
- Use heavily amended project contracts that do not reflect framework objectives.

Refreshing and energising frameworks

Many review participants suggest there is a pressing need to refresh and energise framework systems by adopting more transparent and efficient practices designed to reduce waste and improve outcomes. The practices that will refresh and energise frameworks cover four interlocking stages that comprise framework strategy, framework procurement, framework contracts and framework management.

The interlocking stages of a Gold Standard construction framework are illustrated in **Diagram 1** and can be summarised as:

- **A Framework Strategy** establishing the **intention** of framework providers and clients in terms of credible plans and commitments, clear requirements for project outcomes and clear expectations for improved value and reduced risks
- **Framework Procurement** exchanging the **information** between framework providers, clients and prospective suppliers that forms the basis on which to implement agreed plans and commitments, to achieve required project outcomes and to meet expectations for improved value and reduced risks
- **A Framework Contract** creating and sustaining **integration** of the mutual commitments of framework providers, clients and suppliers, supported by supply chain members and framework managers, to implement agreed plans and commitments, to achieve required project outcomes and to meet expectations for improved value and reduced risks
- **Framework Management** achieving **incentivisation** through instructions, support, guidance and motivation for framework providers, clients and suppliers to integrate their mutual commitments, to implement agreed plans and commitments, to achieve required project outcomes and to meet expectations for improved value and reduced risks.

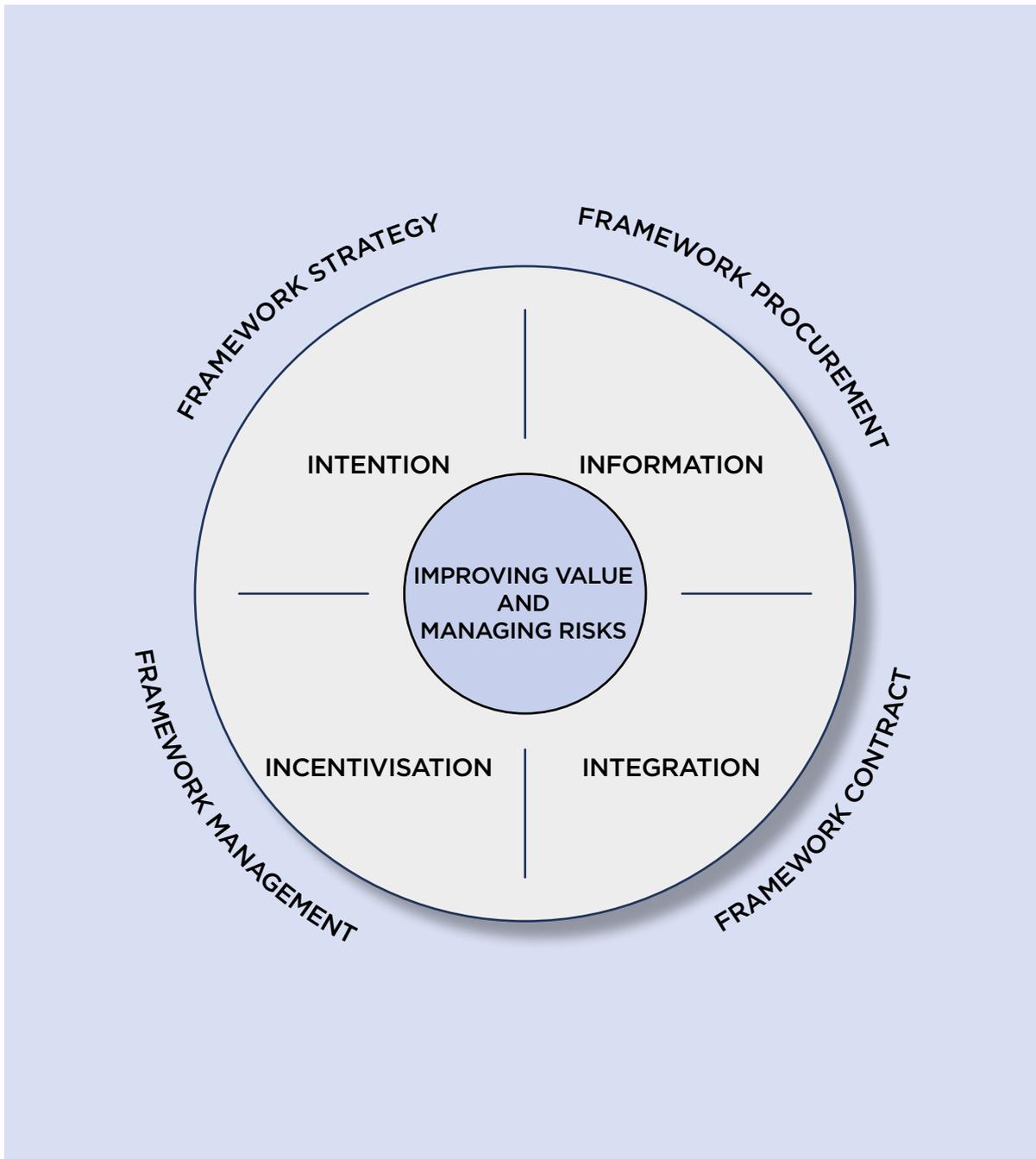


Diagram 1: The interlocking stages of a Gold Standard construction framework

The recommendations for Gold Standard public sector construction frameworks are summarised by reference to the 24 numbered sections of this review, which mirror the structure and requirements of the Construction Playbook. Each section also includes specific actions that form part of Gold Standard framework strategy, framework procurement and framework contracts, and the adoption and implementation of these recommendations form part of Gold Standard framework management.

Whenever changes are proposed to construction procurement, the initial enthusiasm

is often eroded by a growing chorus suggesting that the changes are not possible or prudent, that they will cost too much money and take too much time or that they do not apply to the needs of a particular client or sector. **In order for Construction Playbook policies to survive and create new commercial norms, Gold Standard framework practices need to be practical, agile, commercially viable, easily useable and supported by guidance and training. Otherwise, they will soon become lost in the 'Bermuda Triangle' of idealistic debate, cynical criticism and unrealised good intentions.**

The Government's 2012 Effectiveness of Frameworks report records the following benefits of effective frameworks:

- Delivery of sustainable efficiency savings
- Reduction in consultancy and construction costs
- Delivery of projects closer to target cost and time
- Reduction of disputes, claims and litigation
- High client satisfaction rates
- High proportion of value of work undertaken by small and medium-sized enterprises
- High proportion of local labour and subcontractors
- High take-up of government initiatives such as fair payment and apprenticeships
- High proportion of construction, demolition and excavation waste diverted from landfill
- Good health and safety performance against national average
- Acting as a key enabler to integration of the supply team.

'to increase quality of design, engage key stakeholders, ensure cost robustness, minimise risk and increase certainty of delivery in time and budget', and who established 'a solid governance structure that involves suppliers and clients in development of the framework'

- Environment Agency who *'adopted a partnering approach ... and work collaboratively in the delivery of all contracts called off'*
- Ministry of Justice whose alliance framework led to *'reduced procurement costs estimated at £10 million, reduced burden on industry tendering of around £30 million and procurement risk mitigation of about £2 million. This suggests a total framework operation cost saving in the order of £42million to industry and the department.'*

This review illustrates current practices that have been shared by framework providers, clients and suppliers, and it summarises framework case studies from the government's Trial Projects programme. These illustrations and case studies show how Gold Standard frameworks can capture the strategic vision of clients and the full potential of industry proposals. They show how frameworks can build trust, confidence and competence through strategic thinking, balanced procurement processes, professional management and collaborative joint working.

The Effectiveness of Frameworks report describes frameworks created by:

- Department for Education who established *'regular contractor forums in which issues are raised and discussed'*, whose performance indicators included *'SME engagement, apprenticeships, waste and carbon measures'*, and whose framework generated *'a 9.5% reduction in outturn costs ... when compared with single procurements'*
- Department of Health who encouraged early engagement of the supply chain

Recommendation 2: Ensure that all Gold Standard features are adopted by clients and suppliers when comparing the different construction frameworks on offer

For clients and suppliers to make informed decisions when comparing the many construction frameworks on offer, this review recommends that they adopt the features of a Gold Standard framework, a Gold Standard framework contract and a Gold Standard action plan to identify the questions they need to ask and the answers they should expect.

3. Construction Playbook policies, safety, net zero carbon, Compact with Industry

This review draws together the components of a Gold Standard for frameworks, framework contracts and framework action plans that:

- Implement the 14 Construction Playbook policies and its recommendations for evaluation and relationship management
- Implement the Construction Playbook's '*cross-cutting priorities*' and its '*Compact with Industry*'
- Incorporate the Construction Playbook principles for successful frameworks and framework contracts.

Implementing Playbook policies

Gold Standard frameworks, framework contracts and framework action plans should be assessed according to the means by which they deliver each of the Construction Playbook policies. Sections 8 to 23 of this review follow the sequence of the 14 Construction Playbook policies and its recommendations for evaluation and relationship management. The recommendations in this report and the checklist in **Annex 2** summarise the ways in which framework strategies, procurement processes, contracts and management can deliver better, safer, faster and greener project outcomes through:

- Frameworks and commercial pipelines
- Framework market health and capability assessments
- Framework portfolios and longer- term contracting
- Harmonising, digitalising and rationalising framework demand
- Further embedding digital technologies through frameworks
- Framework early supply chain involvement (ESI) and Supply Chain Collaboration
- Outcome-based approaches to frameworks and call-offs
- Delivery models for frameworks and framework projects
- Framework benchmarking and Should Cost Models

- Effective framework contracting
- Framework risk management and allocation
- Framework mechanisms for payment and pricing
- Economic and financial standing of framework suppliers
- Evaluating frameworks and call-offs
- Resolution planning through frameworks
- Framework relationship management.

Gold Standard frameworks, framework contracts and framework action plans should also be assessed according to the ways in which they deliver the Construction Playbook cross-cutting priorities and the Compact with Industry. The recommendations in this report and the checklist in **Annex 2** show how Gold Standard framework strategies, procurement processes, contracts and management can contribute to:

- Health, safety and wellbeing, embedding CDM compliance, reduced occupational illness and support for small businesses in project and programme planning
- Building safety behaviours and practices, starting with an improved procurement process that drives quality and required safety outcomes rather than lowest cost
- Build back greener, including systems and processes to ensure that projects and programmes deliver on net zero carbon and other sustainability targets
- Long-term, strategic collaborative relationships that underpin investments in people, technology and capacity and that lead to measurable improvements in productivity and project outcomes
- Reward for industry partners delivering improved value through faster, better, greener outcomes, including more consistent, equitable risk transfer and a fair return
- Working more collaboratively at all levels of the supply chain, with more focus on social value, sustainability and asset performance.

Improving building safety

The Playbook recognises the need for procurement to improve building safety in the wake of the 2017 Grenfell Tower fire tragedy, and underlines that *'setting the right behaviours and practices throughout the design, construction, occupation and maintenance stages, and the handoffs between these stages, is crucial to ensuring building safety'* (p.4). Frameworks have a central role to play in improving building safety because they can establish and incentivise consistent and measurable safety practices that span multiple projects, multiple clients and multiple suppliers. For example, they enable the early creation and validation by housing clients and suppliers of the safety information required to support the progress of each project through the Building Safety Regulator's gateway reviews.

Delivering net zero carbon

The Playbook expects contracting authorities to *'set out strategies and plans for achieving net zero GHG emissions by or ahead of 2050 for their entire estate/infrastructure portfolio'*, and that *'systems and processes should be in place to ensure their projects and programmes deliver on the targets set'* (p.5). Feedback from review participants suggests that much more can be done to ensure that frameworks drive zero carbon targets and improved sustainability. For example, 69% of the industry participants consider that frameworks should be used more actively as a medium through which to drive zero carbon actions, and they refer to:

- Good intentions but few firm commitments or tangible signs of progress
- Focus groups who have yet to convert their discussions into actions
- The absence of deadlines to drive management actions at framework level.

69% of industry participants say frameworks should drive zero carbon actions.

The Anglian Water @one alliance 'effectively used alliances and collaboration to enable innovation' when it was challenged to deliver stretching efficiency and carbon targets – the 50% reduction in embodied carbon being particularly challenging. The @one Alliance experience on carbon has demonstrated that collaborative and integrated teams have pooled their combined expertise and their broader partner capability to deliver innovative solutions and have been driven to meet what at first sight looked an unlikely target' (**Annex 3 case study 1**).

Frameworks enable the net zero carbon commitments of individual organisations to be integrated into coherent strategic plans. They provide systems for net zero carbon proposals and other sustainability initiatives to be carefully evaluated at a strategic level and then to be adopted consistently on successive projects.

Framework contracts convert net zero carbon objectives into actions by creating new lines of communication, new commitments and clear timescales for clients and industry to agree sustainable solutions that are practical and affordable. For example, frameworks can support a strategic approach to rapid and safe implementation of the retrofit programmes for existing housing and other public buildings that are essential to achieving net zero carbon targets.

Constructing West Midlands and North West Construction Hub report that they are *'working with the Cambridge Centre for Smart Infrastructure & Construction in developing and piloting a challenging national construction industry carbon reduction code under the headings of:*

- **Water** - To minimise and reduce potable water usage in construction and operational use.; consider embodied water in the manufacture of materials, works and services
- **Waste** - To minimise waste by reducing, reusing, recycling and recovering in the built environment, throughout the construction phase and across the supply chain; consider a circular economy approach diverting waste from landfill

- **Materials** - *To identify, source and use environmentally and socially responsible materials; consider health and safety requirements and other ways to promote well-being for construction workers and future building-users such as eliminating hazardous materials*
- **Biodiversity and ecology** - *To protect and improve flora, fauna and habitat and provide ecological benefits throughout the project lifecycle*
- **Land, air, water, noise** - *To maximise positive, and minimise negative effects on land, air, water, noise, throughout the construction delivery phase and to provide a lasting legacy*
- **Supporting communities** - *To consider the environmental impact on the community, and to get involved with and establish how a project can provide benefits and improve the area*
- **Transport and mobility** - *To consider opportunities for sustainable transport of labour and materials throughout the construction delivery phase and to consider opportunities to prioritise walking, cycling and public transport usage*
- **Climate change mitigation and adaptation** - *To minimise greenhouse gases emitted in the built environment, the construction process and in the manufacture/delivery of associated goods, works, services; consider and maintain flexibility in design and construction processes and delivery methodologies to cater for future climate change adaptation; reduce operational energy demand (before offsetting); reduce embodied carbon (before offsetting)*.

Through collaboration among framework providers, clients, managers and suppliers, the proposals designed to achieve net zero carbon targets and other sustainability initiatives can be assessed and costed objectively for adoption on framework projects. Frameworks also support joint net zero carbon initiatives by sharing access to the systematic use of digital information, MMC and SME expertise, particularly where the scale of a framework

programme enables consistent supply chain procurement and where collaborative framework systems are used to facilitate the exchange of ideas.

Crown Commercial Service reports that their *'framework specifications emphasise delivery of sustainability through the design process, materials selection, construction techniques and construction methods implemented, supporting 2050 net zero commitments, and ultimately a whole life carbon approach. Suppliers are mandated to identify opportunities to clients on achievement of sustainability objectives. Specifications also contain more detailed requirements, shoring-up these higher-level objectives, for example:*

- *Adopting the application of BRE's Environmental Assessment Methodology (BREEAM)*
- *Promoting, conserving and enhancing biodiversity, including use of Biodiversity Action Plans or equivalent, and the management of Sites of Special Scientific Interest (SSSIs)*
- *Following the principles of the Green Public Procurement (GPP) voluntary instrument*
- *Adherence to packaging regulations and the reduction of embedded carbon, particular important in Building Materials*'.

Delivering the Compact with Industry

The Construction Playbook Compact with Industry emphasises the need to *'work more collaboratively at all levels of the supply chain'*, and *'to place more focus on social value, sustainability and asset performance'* (p.6). It highlights the opportunities for public sector clients and suppliers *'to create long-term relationships that will underpin our investments in people, technology and capacity'* (p.6).

The Compact with Industry recognises that the construction industry needs to change and that it needs client support, stating that public sector clients should adopt *'a more consistent and equitable approach to risk transfer'*, should offer

'the promise of a fair return' and should 'reward industry partners for delivering improved value through faster, better and greener delivery' (p.6). A Gold Standard framework creates the rules of engagement which establish and support the equitable treatment of risk, the agreement of pricing models that offer fair returns and the use of incentives that reward suppliers for achieving desired client outcomes.

design, construction and operational solutions by integrating project award and performance measurement systems with joint working across a community of clients, consultants, contractors, subcontractors, suppliers, manufacturers and operators. It shows how strategic framework collaboration at all levels of the supply chain can attract innovations that improve quality while at the same time reducing client, consultant and contractor risks through early review, development and validation of proposed design solutions.

Diagram 2 illustrates the operation of a Gold Standard framework which motivates improved

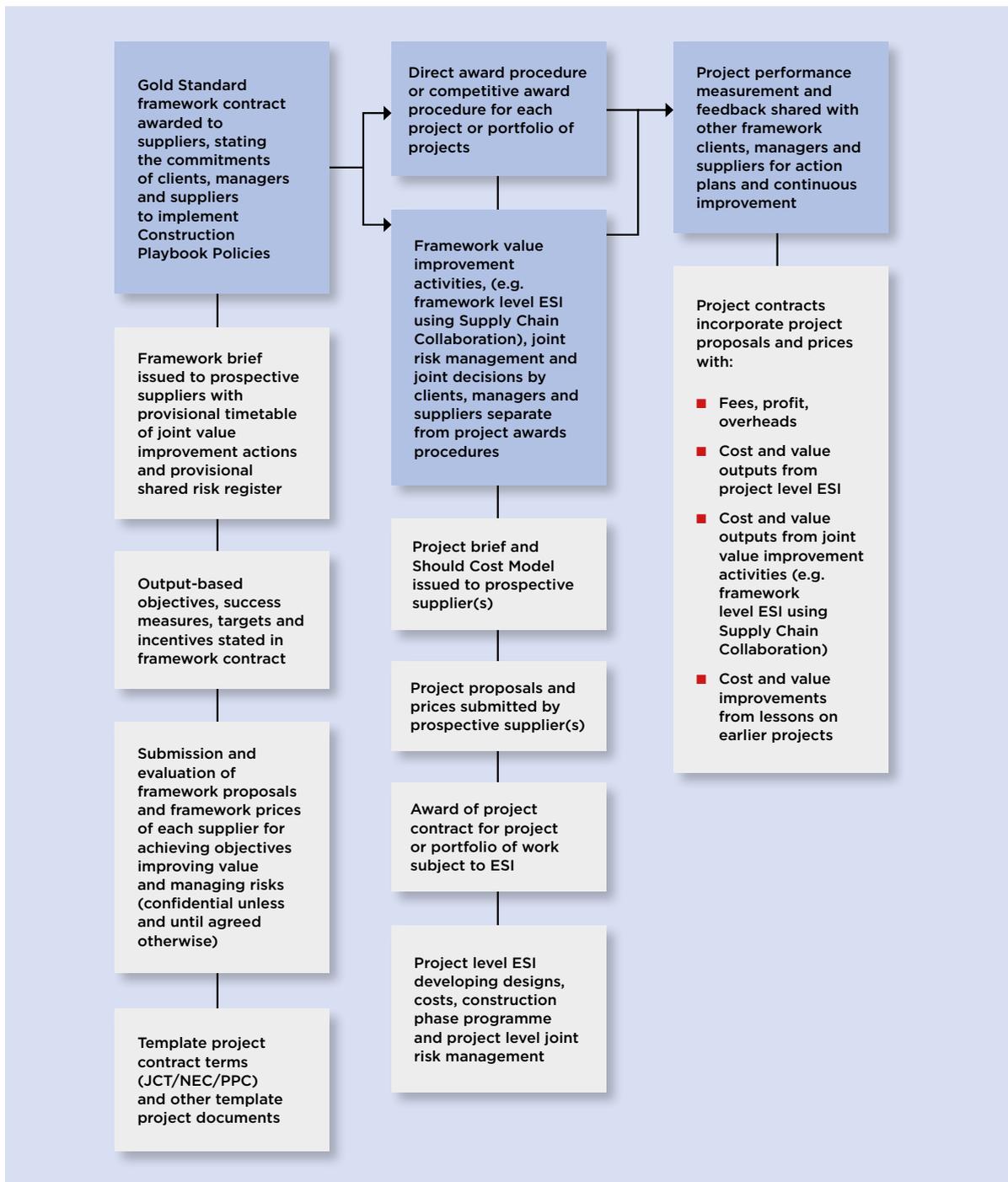


Diagram 2: Operation of a Gold Standard framework

Recommendation 3: Require that all public sector construction frameworks prioritise safety, net zero carbon and the Compact with Industry

In order to deliver government priorities and the Compact with Industry, this review recommends that framework providers, clients and suppliers make clear how their framework strategy, procurement, contract and management will achieve improved building safety, net zero carbon targets, long-term relationships, fair returns, equitable treatment of risk, rewards for faster, better and greener delivery and collaboration at all levels of the supply chain.



4. Creating a Gold Standard for framework contracts

The Construction Playbook states that ‘A successful framework contract should be based around principles that align objectives, success measures, targets and incentives so as to enable joint work on improving value and reducing risks’, and that ‘This should then be combined with transparent performance measurement and work allocation procedures’ (p.42).

A successful framework contract describes the processes and relationships through which clients and suppliers develop, share and apply information, and makes clear the ways in which that information improves the design, construction and operation of projects and programmes of work. Knowledge is power, and the tests of a successful framework include:

- Firstly, whether the framework provider, clients, manager and suppliers build up shared knowledge at the times when it can best be used to improve framework and project outcomes
- Secondly, whether the framework provider, clients, manager and suppliers actually use that shared knowledge to improve framework and project outcomes rather than for their individual benefit.

To pass the first test requires commitment to integrated and transparent systems, and to pass the second test requires commitment to integrated commercial interests. **A Gold Standard framework contract creates agreed systems and integrates commercial interests so that the implementation of Construction Playbook policies is based on clear commitments rather than optional guidance.** This is an area where some framework providers and clients need to make important changes because, in many of the framework documents reviewed, the good practice guidance for clients and suppliers appears to be optional because it is detached from the rights and obligations set out in the framework contract.

Framework providers may argue that personal leadership and consultation are the best ways to ensure the adoption of their guidance, and that informal collaborative techniques can nudge clients and suppliers towards improved framework practices. These arguments are fair

insofar as most of us react better to human engagement than to cold legal obligations, but the evidence from Trial Projects and other case studies shows how the right framework contract joins up the dots among good framework practices and accelerates the progress of transformational efforts by giving them clearer shape and direction.

A fresh look at framework contracts

Most of the current framework contracts shared by framework providers and clients do not describe contractual systems for value improvement, for the sharing of information between clients and suppliers, for the joint management of risks or for the development of strategic relationships with supply chain members. Most of these framework contracts do not provide a contractual route map for implementing Construction Playbook policies and, despite repeated use of the words ‘good faith’, they do not create the collaborative long-term relationships that the Playbook promotes.

A fresh look at framework contracts is needed in order that the work of the procurement and legal advisers who draft these contracts can contribute to the Construction Playbook change processes. Many review participants comment that the advisers who draft framework contracts seem remote from strategic commercial objectives, and that their work seems to focus primarily on the fear of regulatory challenge and the illusory attraction of risk transfer. Procurement and legal advisers have a lot to offer in creating Gold Standard framework contracts, but they need to be briefed to apply a more creative and balanced approach.

Framework contracts do not fulfil their potential if they govern only call-off, administration and the measurement of supplier performance. Review contributors support a Gold Standard framework contract that is collaborative, outcome-focused and flexible, with standard form provisions that drive improved value by integrating the work of the framework provider, clients, manager, suppliers and supply chain members, for example through shared approaches to MMC, digital technologies, ESI and joint risk management.

Improving value and reducing risk

A Gold Standard framework contract expresses the framework provider's and clients' strategy through objectives, success measures, targets and incentives. It provides contractual systems through which to achieve objectives and success measures, with agreed rewards linked to improved outcomes by reference to clear targets. The targets for each success measure need to be transparent and objectively measurable, stating the method of recording relevant data, the parties responsible for measuring that data and the systems for reporting to the other framework clients and suppliers.

On the basis of these foundations, a Gold Standard framework contract can motivate clients and suppliers to work together and individually to improve outcomes, to earn incentives and to undertake agreed activities designed to improve value and reduce risk. It can set out the timing of agreed actions, the systems of joint risk management and the collaborative support provided by the framework manager and by a joint decision-making forum.

Framework alliance contracts

The Construction Playbook recommends that alliancing arrangements *'should be considered on more complex programmes of work as the effective alignment of commercial objectives is likely to improve intended outcomes as well as drive greater value for money'* (p.41). The Infrastructure Client Group's *'Alliancing Best Practice in Infrastructure Delivery'* describes an alliance as *'an arrangement where a collaborative and integrated team is brought together from across the extended supply chain. The team shares a set of common goals which meet client requirements and work under common incentives.'*

Confusion is created when clients, suppliers and advisers make a binary distinction between alliances and traditional frameworks, assuming that an alliance must adopt particular approaches to matters such as cost reimbursement, incentivisation and risk sharing. There is no reason to restrict the features of an alliance in this way, and a rigid definition can be unhelpful if it leads to an alliance being seen as exotic or uncommercial. A closer look at the case studies in **Annex 3** reveals that, in practice, alliancing arrangements reflect many of the features that comprise a Gold Standard framework contract.

The collaborative procurement of infrastructure projects and programmes is supported by the initiative known as *'Project 13'*, which seeks *'to develop a new business model – based on an enterprise, not on traditional transactional arrangements – to boost certainty and productivity in delivery, improve whole life outcomes in operation and support a more sustainable, innovative, highly skilled industry'*. Review participants have shared details of strategic alliances that apply the Project 13 principles, such as the Anglian Water @one alliance Construction Playbook case study (**Annex 3 case study 1**).

Framework providers, clients, managers and suppliers can use alliance principles to create collaborative framework contracts. The collaborative framework model known as a *'framework alliance contract'*, as illustrated in **Diagram 3**, has gained traction in recent years and its benefits have been illustrated in **Trial Project case studies**. Crown Commercial Service use this model for all their frameworks, and the Ministry of Justice framework alliance contracts have underpinned two Trial Projects and the Five Wells Construction Playbook case study (**Annex 3 case study 2**).

The Ministry of Justice reports that *'the MoJ 'Strategic Alliance Agreement' has been a very positive framework where:*

- *Suppliers understand the call-off process*
- *Terms and conditions and risk allocations deliver time and cost efficiencies for the MoJ and the supply chain*
- *The suppliers have grown to understand us as a client, our estate (and the types of projects & risks) and our technical requirements.*

The use of PPC2000 has aligned all those working on the project and allowed the project scope to be developed through the Project Partnering Agreement prior to moving to the Commencement Agreement. This aligns the supply chain and also works well with governance and funding decision points.'

Trial Project framework alliance contracts were established on the SCMG housing programme by Hackney Homes and Homes for Haringey with seven contractors, and on a highways programme by Surrey County Council with Kier, both enabling new strategic relationships with multiple tier 2 and 3 supply chain members in order to harmonise and aggregate demand, to support ESI and to deliver improved economic, social and environmental value (Annex 3 case studies 8 and 9).

The features of a framework alliance contract include a multi-party structure which:

- Establishes direct links between the framework provider, multiple clients, the framework manager and multiple suppliers
- Avoids the fragmentation and 'divide and rule' culture created by separate two-party framework contracts
- Facilitates and supports shared systems for improving value and reducing risks.

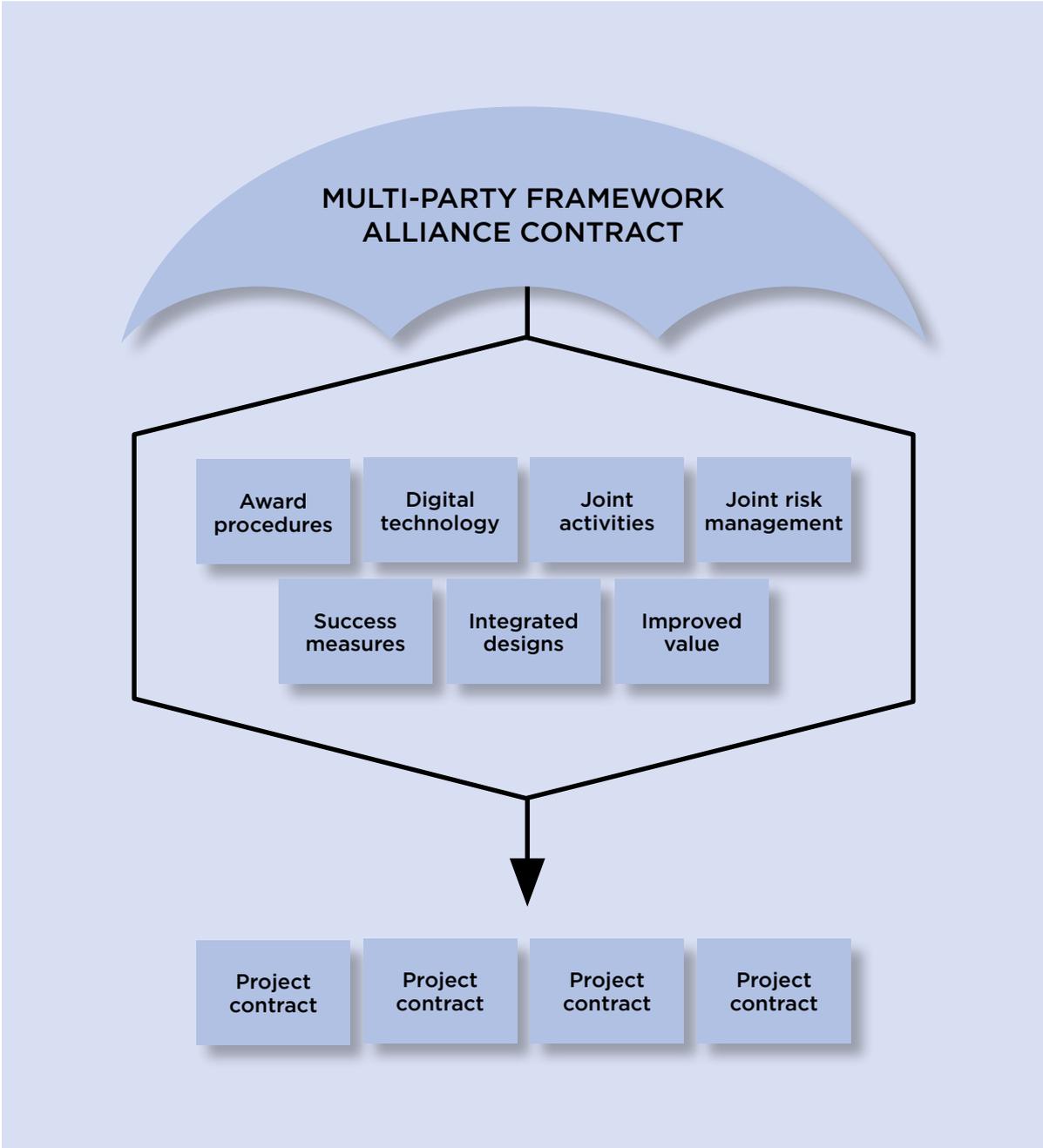


Diagram 3: Structure of a framework alliance contract

The transparency, clarity and integration offered by multi-party framework alliance contracts has a positive impact on outcomes, for example as recorded on the Ministry of Justice, SCMG and Project Horizon Trial Projects (**Annex 3 case studies 2, 8 and 9**). These framework alliances achieved agreed efficiency savings averaging 18.5% combined with design improvements, extended warranties, improved safety, new opportunities for local and regional SMEs, environmental benefits, improved employment and skills opportunities and improved whole life value.

By contrast, separate two-party framework contracts entered into by each client with each supplier create administrative burdens and leave all parties without the assurance of framework consistency. They lack the direct connections and mutual commitments through which frameworks can integrate working practices, align differing interests and reconcile the rules of competition with the rules of collaboration.

Separate two-party framework contracts make it difficult to align the objectives, success measures, targets and incentives of framework providers, clients, managers, suppliers and supply chain members. The two-party framework contracts created with each supplier are not visible to other suppliers, and this lack of transparency is unnecessary and inefficient. It contributes to an atmosphere of mutual distrust and limits the collaboration through which shared experiences, ideas and innovations can improve outcomes, improve value and manage risks.

18.5% efficiency savings plus improvements in quality, safety, social value and environmental value were delivered under Trial Project framework alliance contracts.

Annex 4 comprises a summary of the terms and conditions that comprise a Gold Standard framework alliance contract, illustrating how these terms and conditions support the implementation of Construction Playbook policies by providing for:

- An outcome-based strategic brief that drives economic, social and environmental value with strategic supplier proposals for delivering that brief

- Multi-party relationships that align objectives, success measures, targets and incentives with commitments to joint work on improving value and reducing risk
- A timetable of strategic actions to improve integration, value and outcomes, for example using MMC, digital technologies, ESI and Supply chain Collaboration
- Framework call-off systems, cost models and incentives that provide a fair return for suppliers and that drive value rather than a race to the bottom
- Transparent performance measurement and work allocation procedures
- Management systems that support collaboration and avoid disputes.

A standard form framework alliance contract

The brief for this review includes recommendations for standard contract terms that support a Gold Standard framework. Review participants comment on the cost, duplication and confusion created by the wide range of bespoke framework contracts. Each bespoke contract requires clients and suppliers to familiarise themselves with a new set of terms and conditions, sometimes running to several hundred pages, and this increases the cost and time required for framework procurement. Although good practice can be embedded in a bespoke framework alliance contract, it is wasteful and distracting for clients, managers and suppliers to invest significant resources in understanding and agreeing each new bespoke form. Suppliers are also suspicious of hidden risk transfer in a bespoke framework contract, and this can inhibit their commitment to collaborative framework activities.

The use of a published standard form framework alliance contract:

- Provides consistent foundations on which to construct the detailed components described in **Annex 4**
- Avoids the wasted cost and time required to create, understand and implement multiple bespoke forms
- Creates mutual confidence between framework providers, clients, managers and suppliers
- Provides a consistent basis for training, guidance and exchanges of experience.

A Gold Standard framework alliance contract needs to create the matrix of commitments, relationships and systems through which the framework provider, clients, manager and suppliers integrate their differing commercial interests in ways that implement Playbook policies. A published standard form provides accessible and consistent contractual foundations on which to construct these commitments, relationships and systems by reference to the framework requirements of different clients and different sectors.

The Construction Playbook states that FAC-1 'is a good example of a standard form framework contract that can achieve... many of the ambitions set out in this Playbook' (p.42). It also notes how the Crown Commercial Service framework alliances are 'integrating FAC-1 and Project 13 principles' (p.27).

Crown Commercial Service reports that:

- *'The FAC-1 Framework Alliance Contract enables the government to align its strategies in construction with the key objective policies outlined in the Construction Playbook. The benefits of this drive improvements across the construction industry including:*
 - *Ability to influence design through earlier contractor engagement*
 - *Connecting whole life considerations through an integrated supply chain*
 - *Focus on newer and safer working practices in construction*
 - *Options for innovative construction methods and technologies*
 - *More opportunities for SMEs, specialists and local providers*
 - *Sustainable solutions and environmental benefits*
 - *Collaborative risk management and dispute avoidance*
 - *Promoting standardisation in contracting through common 'boilerplate' clauses'.*
- *'By adopting the FAC-1 as the centre point of our framework agreement structure, this enables CCS to establish closer relations with the additional clients and supplier alliance members, focus on collaborative opportunities, drive best practice, improve framework performance and outputs across our frameworks'.*

The FAC-1 framework alliance contract was developed through consultation with clients and industry on the basis of the bespoke framework alliance contracts used on government Trial Projects. It describes shared objectives, success measures, targets and incentives, and its multi-party structure supports transparent performance measurement and work allocation procedures. It describes joint work on improving value and reducing risks, including improved sustainability, and its Supply Chain Collaboration process is quoted in **Annex 5**.

FAC-1 has been adopted as the basis for framework alliances created by Crown Commercial Service, LHC, NHS Shared Business Services and Ministry of Justice, which have a total projected value of over £57 billion and which are summarised in **Annex 1**. Framework providers, clients, managers and suppliers are using FAC-1 in conjunction with a range of standard form project contracts such as JCT2016, NEC3, NEC4 and PPC2000/TAC-1.

GRAHAM reports that:

- *'Most frameworks that we operate under adopt the use of a bespoke Framework Agreement for appointment to the Framework. Exceptions to this are the CCS and NHS SBS Frameworks that adopt the FAC-1 Alliancing agreement. This is an approach we support.'*
- *'Many Framework Agreements that we are a party to facilitate the adoption of varying project level forms of contract by users, as does FAC-1.'*

VINCI reports that:

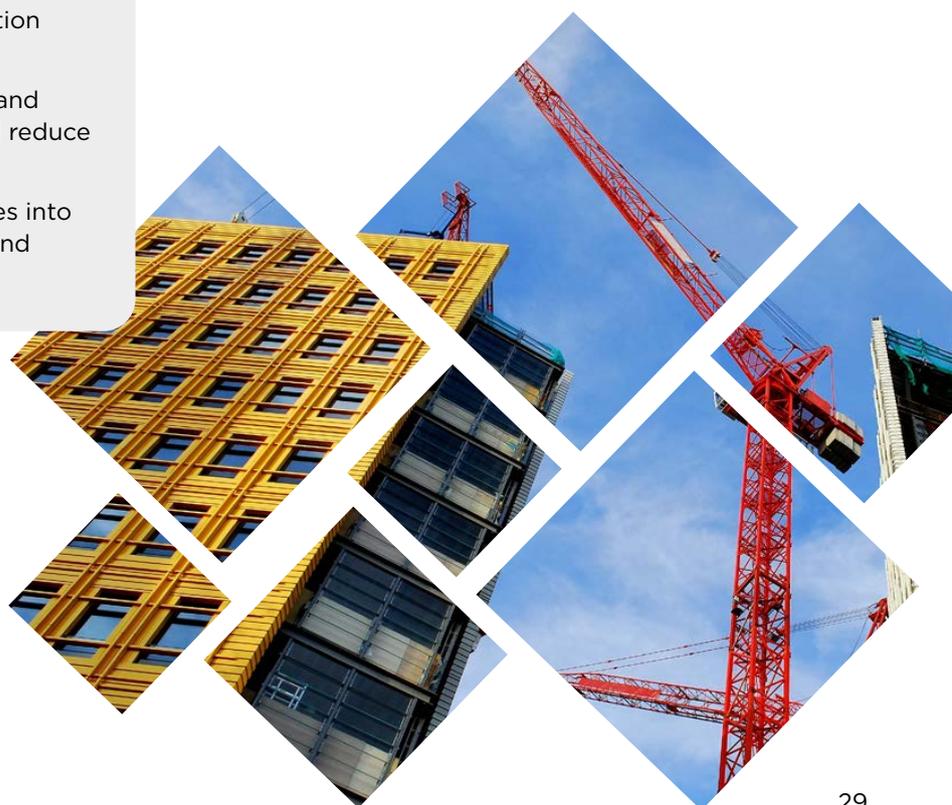
- *'We see the benefit of frameworks that offer different models of 'call off contract (as can be facilitated by FAC-1) but also where there is consistency between the collaborative approach defined in the overarching framework agreement'.*

Construction contract bodies such as JCT and NEC may decide to develop their own published forms of framework alliance contract, or they may recognise the flexibility of FAC-1 in supporting the award of JCT and NEC project contracts. Feedback and lessons learned from users of FAC-1 and other alliance contracts should form part of the training, guidance and case studies recommended in Section 24, and should contribute to a body of shared knowledge that supports the wider understanding and adoption of standard form framework alliance contracts.

Recommendation 4: Reduce procurement costs, improve value and reduce risks by wider adoption of a standard form Gold Standard framework alliance contract

To achieve efficiency savings by reducing waste, confusion and duplication, and to replicate the substantial value improvements shown in collaborative framework case studies, this review recommends the wider adoption of a standard form framework alliance contract that:

- Aligns the objectives, success measures, targets and incentives of clients and suppliers
- Provides transparent performance measurement and work allocation procedures
- Requires joint work by clients and suppliers to improve value and reduce risks
- Translates framework objectives into actions with clear timescales and outcomes.



5. Creating a Gold Standard action plan

While there is widespread support for Construction Playbook policies, urgent action is needed to convert them into sustainable change. If improved practices are not adopted at an early stage under current frameworks, then momentum will be lost and inefficient, wasteful procurement practices will prevail. There is a leading role to be played by framework providers and clients under their current construction frameworks, including those framework providers who serve clients with limited procurement and management resources.

Review participants question whether current frameworks can drive implementation of Construction Playbook policies or whether improved practices will have to wait for framework re-procurement. They comment that a call for change which is not translated into early commitments will rapidly be discounted as another set of theoretical aspirations.

All the framework contracts shared by clients and framework providers include high-level objectives that reflect a range of Construction Playbook policy drivers such as improvements in value for money, efficiency, safety, social value, net zero carbon, risk management and whole life value. However, only 25% of these framework contracts include the detailed machinery through which framework providers, clients, managers and suppliers translate these high-level objectives into action plans with agreed timescales and expected outcomes.

100% of the framework contracts reviewed state high-level objectives that reflect a range of Construction Playbook policies.

25% of the framework contracts reviewed state detailed machinery through which clients, managers and suppliers work together to improve value for money, efficiency, safety, social value, net zero carbon, risk management and whole life value.

Current frameworks cannot be left frozen in time at the point of supplier selection. They depend on clients and industry adapting to changing circumstances and using all the improvement techniques that are available to them. In order for framework providers, clients, managers and suppliers to justify their long-term relationships, it is reasonable for them to expect each other to be willing to agree actions that deliver improved outcomes.

Translating objectives into actions

Where current framework contracts include value improvement machinery, this can be deployed immediately as the basis for an action plan that implements Construction Playbook policies. Where current framework contracts include value improvement objectives but do not set out the contractual machinery for achieving these objectives, there are proven ways by which to agree a contractually binding action plan of supplemental value improvement commitments without undertaking a new public procurement process.

Creating a Gold Standard action plan requires framework providers, clients, managers and suppliers to create, agree and implement a shared timetable of specific activities that reflect the Playbook policies and recommendations described in later sections of this review. A Gold Standard action plan under a current framework sets out:

- How and when innovations and other improvements consistent with Playbook policies will be agreed between the framework provider, clients, manager and suppliers, both preceding and in parallel with the award and delivery of individual framework projects, and how and when these innovations and other improvements will be adopted for use by framework clients and suppliers on framework projects
- How and when innovations and other improvements consistent with Playbook policies will be captured from framework projects, how and when they will be shared and agreed between the framework provider, clients, manager and suppliers, and how and when these innovations and other improvements will be adopted for use by framework clients and suppliers on other framework projects.

In order to bring a Gold Standard action plan to life, value improvement systems can be added to a current framework contract without breaching public procurement regulations. They can be expressed as supplemental contractual instruments which do not change the overall scope of the framework or the agreed terms of the current framework contract. Instead, they describe machinery for the implementation of previously agreed value improvement objectives, which can be set out in multi-party supplemental contracts such as:

- A ‘supply chain framework alliance contract’ led by tier 1 suppliers, as illustrated in **Annex 3 case studies 8 and 9**, which can harmonise and aggregate client and supplier demand, can develop and integrate ESI relationships with tier 2 and 3 supply chain members through Supply Chain Collaboration, and can deliver improved economic, social and environmental value
- A ‘transitional framework alliance contract’, as illustrated in **Annex 3 case study 10**, which can integrate the work of tier 1 suppliers appointed under separate pre-existing framework contracts in order to clarify the shape, direction and expected outcomes of joint initiatives that explore the potential of MMC, digital technologies, ESI, Supply Chain Collaboration and other means to deliver improved value.

The SCMG Trial Project framework alliance reports that its ESI systems are ‘*easily replicable under new procurements and also under current frameworks and long-term contracts that contain processes for continuous improvement*’ (**Annex 3 case study 8**).

A framework provider and its clients, manager and suppliers can agree to create one or more supply chain framework alliances and a transitional framework alliance if their current framework contract includes:

- The objective of continuous improvement
- Fees, profit and overheads quoted separately from other costs.

These features appear in most of the framework contracts that were shared for the purposes of this review. With the benefit of

professional guidance, they provide a starting point for agreeing supplemental contractual commitments that underpin a Gold Standard action plan and do not infringe public procurement regulations.

Recommendation 5: Create contractually binding Gold Standard action plans to convert framework objectives into actions and timetables that deliver improved economic, social and environmental outcomes

In response to the need for urgent implementation of Construction Playbook policies in ways that achieve the ambitions of government and industry, this review recommends that framework providers, clients and suppliers create contractually binding action plans that convert improved value objectives under their existing framework contracts into shared strategic commitments and that state agreed actions and timetables.

6. Framework leadership, management and integration

Frameworks need to be supported by professional management and active client leadership. Industry respondents report varying levels of client commitment and varying levels of professionalism in the management of current frameworks. The roles of clients and framework providers, supported by their framework managers, include:

- To define the strategy, scope and objectives of the framework and framework projects
- To create clear, outcome-focused framework briefs, and to ensure a consistent approach to the briefs for framework projects and programmes of work
- To create and implement a balanced approach to evaluating supplier proposals for framework appointments, and to the award of framework projects and programmes of work
- To respond swiftly to problems and to seek consensus on strategic decisions
- To create and implement transparent performance measures linked to incentives for delivering improved value.

60% of industry review participants request more active framework management.

Industry review contributions highlight framework management practices that drive successful outcomes and others that impede progress, with over 60% requesting more active framework management. *Transformational change will only come if framework providers and clients show how the management of their frameworks will improve value for money, efficiency, safety, social value, net zero carbon and whole life value.*

Investing in framework management

Gold Standard framework providers and clients should take the lead and invest in framework

management services that deliver demonstrable value for money. In return, Gold Standard suppliers should support successful framework management through shared commitments to improved outcomes and transparent professional practices.

Crown Commercial Service reports how they led and managed a multi-party framework alliance (**Annex 3 Case Study 10**) through which appointed suppliers Aecom, AHR Architects, AMEC Foster Wheeler Environmental and Infrastructure, Arcadis, Capita, Faithful & Gould, Gleeds, Kier Business Services, Mace, McBains, Mott McDonald, Ridge, Turner & Townsend and WYG worked together *'to deliver improved value for framework clients by:*

- *Sharing and monitoring best practice intelligence*
- *Sharing and monitoring learning between projects and programmes of work*
- *Establishing, agreeing and monitoring consistent and more efficient working practices*
- *Agreeing and monitoring techniques for better team integration*
- *Agreeing and monitoring improved procurement and delivery systems on projects and programmes of work*
- *Sharing and monitoring other improvement initiatives created with contractors and other supply chain members.'*

Effective leadership and management start with framework strategies and flow through framework procurement and contracting. They can be measured against the ability of framework providers and managers to demonstrate to clients and suppliers, as summarised in the 2012 Effectiveness of Frameworks report, whether their framework:

- Has a demonstrable business need

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

The charges levied by framework providers need to reflect the management services they provide to clients and suppliers. If the scope and professionalism of these management services are made clear, this will help prospective framework clients to assess the value that is added through framework management and will encourage them to opt for a framework that demonstrably delivers value for money.

Creating a collaborative framework culture

Leadership and professional management are essential to creating and maintaining a collaborative framework culture. If framework providers, clients and managers do not show active commitment to shared objectives, this will have an adverse impact on supplier trust and on the efforts that suppliers devote to improved outcomes. Where frameworks and framework

projects have the benefit of collaborative leadership and management, this can inspire suppliers to make additional efforts and to take on leadership roles in the delivery of projects and portfolios of work.

The Property Services Cluster Trial Project framework (**Annex 3 case study 6**) reports that *'each contractor is taking a lead role in specific areas such as programming, supply chain procurement or design. Some of the projects will continue to be fully designed by the relevant client, whilst many of the others will be handed over to the contractor-led design teams at mutually agreed points'*.

The Project Horizon Trial Project supply chain framework alliance (**Annex 3 case study 9**) reports that it attracted *'personal leadership and the recognition of different stakeholder interests in client and contractor organisations who need to be identified, consulted and persuaded to adopt a new and bolder approach'*.

Industry participants express concern that a collaborative framework culture can be compromised if clients do not take framework objectives and commitments into account when managing call-off projects, for example when a client uses a contractor framework but appoints a project consultant who is not connected with or interested in the contractor framework. Framework managers need to monitor project level client leadership and management in order to ensure that these remain consistent with agreed framework objectives and do not undermine the collaborative culture created at framework level.

Framework managers may bring in support from specialists where this is necessary to help them address strategic priorities such as the delivery of outcomes that meet net zero carbon targets.

The Environment Agency reports that *'To help make a significant contribution to the Environment Agency's target of Net Zero Carbon in 2030, framework integrated delivery teams are supported by a Carbon and Cost Team. This Team provides an estimating and commercial intelligence service designed to ensure and assure, informed and effective, evidence based, whole life decision making across the business. Carbon and Cost services are provided through sub -teams for:*

- *Carbon and Cost Estimation;*
- *Commercial Intelligence and Benchmarking;*
- *Carbon Management and Assurance.*

These teams maintain tools, systems, data and processes to provide a service that covers items as follows:

- *cost and carbon estimates throughout project and asset life cycles*
- *benchmarking and analysis);*
- *data validation and assurance;*
- *corporate reporting and evidencing construction contribution to net zero;*
- *supporting updates to standards via reviews of Minimum Technical Requirements and taking an evidence-based approach to low carbon.'*

The role and responsibilities of the framework manager, whether a client officer or an independent consultant, need to be clearly stated in a Gold Standard framework contract. These include the fair and constructive exercise of any discretion, and an active approach in leading and coordinating the implementation of:

- Outcome-based framework strategies, procurement and incentivisation
- Guidance to clients on effective call-off and project procurement
- Strategic value improvement and risk management processes
- Consistent, proportionate and relevant performance measurement
- Collaborative decision-making and dispute avoidance.

NHS Shared Business Services show the type of commitment necessary in their recently awarded construction framework alliance, which they report *'offers extended support for Contracting Authorities and End Users in the operation and maintenance of the building with FM-aligned and integrated information and data protocols plus integrated supply chains'.*

Framework integration

Framework management includes decision-making processes that require collaborative skills in order to draw clients and suppliers together, motivate their joint working and help them to integrate their different commercial interests. Framework management should be supported by a contractual decision-making process that gives appropriate collective authority to clients and suppliers through a forum such as the *'Core Group'* described in Section 23 (Framework relationship management).

A Gold Standard framework manager acts as an *'integrator'*, helping clients and suppliers to:

- Integrate the objectives and commitments of multiple framework clients
- Integrate the agreed proposals and commitments of multiple framework suppliers
- Integrate participation by framework clients and suppliers in joint value improvement and risk management activities
- Integrate consistent approaches to the call-off and delivery of projects and programmes of work
- Integrate consistent and transparent performance measurement based on achieving framework and project outcomes and value improvements.

Recommendation 6: Invest in framework management that demonstrates value for money for clients and suppliers

In response to industry concerns regarding varying levels of framework leadership and management, this review recommends that framework providers invest in framework management responsibilities which demonstrate value for money for clients and suppliers and which include integration of strategic interests, support for collaborative joint working and assurance that framework commitments and opportunities are understood and implemented, including where consultants are appointed from outside the framework.



7. Frameworks, SMEs and social value

The Construction Playbook recognises that:

- *'SMEs are experts in their fields and can provide insight into MMC, innovative technologies and ways to minimise the GHG footprint of the proposed solutions across their whole lifecycle' (p.23).*
- *'Social value should be explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject-matter of the contract' (p.57).*

Review participants include a range of SME contractors, specialists, architects and engineers. They and other participants express concerns that:

- SME consultants and contractors can be locked out of frameworks where bidding costs and procedures are prohibitive
- The benefits of local tier 2 and 3 SMEs can be overlooked, even by those framework providers who promote local supply chains in connection with social value
- Some consultant SMEs only win call-off appointments by agreeing to be sub-consultants to a single source supplier under a framework set up in order to circumvent public procurement regulations.

Increasing SME framework contributions

There is a range of options by which framework providers, clients, managers and suppliers can work more closely with SMEs in order to gain the benefit of their specialist expertise and in order to improve social and environmental value through the appointment of local and regional supply chains. For example, where framework providers and clients wish to appoint SME suppliers to their frameworks, they can structure the lotting of those frameworks so as to attract SME bids to particular lots. Framework providers can also offer pre-procurement practical support to SMEs that reduces the cost and burden of bidding.

The North East Procurement Organisation

reports that *'NEPO's Frameworks are structured to support the regional SME market. A Business Club programme gives suppliers free access to training and support e.g. on Bid-Writing and Social Value. Initial market engagement includes access to sessions specifically covering tender requirements, social value requirements and e-tendering support to ensure that Contractors and Suppliers have all of the information to make an informed decision with regards to participating in any competition. We also actively work with regional bodies such as the Construction Alliance North East and the Civil Engineers and Contractors Association to ensure that NEPO are offering the best support to Contractors and Suppliers in line with our Frameworks'.*

A framework procurement can include evaluation criteria linked to proposals that draw out the particular strengths of SMEs, where these are relevant to required and desired client outcomes from prospective framework projects and programmes of work. For example, SMEs may offer relevant expertise based on local or regional knowledge, and may offer efficiency savings, improved social value and a reduced carbon footprint based on their local or regional location.

The Playbook requires public sector clients to *'ensure that demand is aggregated in a way that allows SMEs to play a central role in the sector' (p.16)*. SMEs are often tier 2 and 3 supply chain members, and the value to them of each individual project is only a fraction of the project value as a whole. Frameworks can play a crucial role in aggregating demand so that SMEs stand to win a share of the work on multiple projects. This aggregation can attract SME bids for a role at different levels of the framework supply chain and can ensure that SMEs are motivated to share their innovations and other ideas for improved efficiency, improved value and reduced risks.

Where framework providers and clients wish directly to influence the appointment of suitable SMEs to tier 2 and 3 supply chain roles,

they can run separate tier 2 and 3 specialist framework procurements in accordance with public procurement regulations. This will enable framework providers and clients to require that tier 1 framework suppliers make appointments to framework projects from their tier 2 and 3 SME frameworks.

Aggregation of demand may create framework opportunities that exceed the capacity of SMEs. Pre-procurement market consultation can explore the capacity of prospective SME suppliers, and can balance the benefits of aggregating framework projects against the particular expertise and improved value offered by prospective SME suppliers. This will help framework providers and clients to finalise the optimum framework strategy for engaging SMEs when calling off projects and programmes of work.

SMEs, ESI and Supply Chain Collaboration

An alternative way to access SME expertise is for clients and framework providers to collaborate with tier 1 suppliers after they have been appointed to frameworks. This collaboration involves review of the tier 2 and 3 supply chain relationships recommended by each tier 1 supplier and assessment of the value that can be delivered by aggregating these relationships and by optimising the scale and duration of supply chain appointments. These collaborative processes comprise early supply chain involvement ('ESI') through 'Supply Chain Collaboration' which is described in Section 13 and Annex 5.

ESI through Supply Chain Collaboration is led by tier 1 framework suppliers in order to avoid the need for additional public sector supply chain procurements. The choice of tier 2 and 3 specialists, and the scale, duration and aggregation of their appointments, are matters for agreement by the tier 1 suppliers, framework provider and clients, who all need to be convinced of the merits of the supply chain relationships that are proposed. The processes leading to this agreement can ensure that the benefits offered by SMEs, including local and regional businesses, are fully taken into account.

The Archbishop Beck School Trial Project
Scape framework reports 'Achievement of 60% local spend with Liverpool businesses by Willmott Dixon (compared to 50% target on Notre Dame)', and 'Direct liaison, through the City-wide Liverpool City Council scheme, with local supply chain members so as to establish clear commitments in relation to apprentices' (Annex 3 case study 5).

The SCMG Trial Project housing framework alliance reports that 'early joint appointment of comprehensive range of SME Tier 2 and Tier 3 supply chain members' has created 'new opportunities for SME subcontractors and suppliers' and has 'demonstrated a breakthrough in enabling public sector clients to deal directly with key subcontractors and suppliers so as to ensure they build up fully integrated working relationships' (Annex 3 case study 8).

Gold Standard frameworks should be designed to achieve:

- An integrated range of services and specialist expertise under each framework
- Access to the expertise of SME specialists, including in relation to MMC
- Integration between the work of design consultants, tier 1 contractors and tier 2 and 3 SME specialists in framework project teams and across frameworks
- Aggregation of demand in a way that allows SMEs to play a central role in the sector.

Frameworks and social value

The great majority of review participants support the delivery of social value as a significant output from public sector construction and see frameworks as an important medium through which to achieve this.

81% of review participants say frameworks should drive improved social value.

The Construction Playbook states that ‘*Social value is a way of maximising the benefits of public procurement by encouraging employment opportunities, developing skills and improving environmental sustainability*’ (p.23). Review participants confirm that social value is an evaluation criterion and performance measure in many current public sector construction frameworks. However, they also report a lack of clarity as to the strategic collaborative commitments and supply chain relationships through which improved social value can be delivered.

Many of the frameworks reviewed include expectations and measures for each supplier to deliver demonstrable social value, including for example various categories of targeted recruitment, training and community initiatives. **Early strategic engagement with tier 2 and 3 SME supply chain members enables frameworks to help establish more effective approaches to social value, for example in relation to:**

- **Employment and skills, given that the majority of the construction workforce is employed by tier 2 and 3 SMEs for whom a long-term framework appointment provides important new opportunities to offer apprenticeships and jobs**
- **Community benefits, given that local and regional tier 2 and 3 SME supply chain members are likely to know more about the communities they work in and to design more meaningful contributions to those communities.**

The South West Wales Regional

Contractors Framework reports that ‘*For all projects over £1m community benefit targets are included in line with the Welsh Government community benefit policy which include specific targets for targeted recruitment and training of new entrants to include long term unemployed, economically in active and those at risk of NEETs (not in education or employment), apprenticeship opportunities and training.*

The targets typically set at 52 weeks per £ million and can be made up of a range of different new entrant opportunities that are flexible enough to fit the specific project. Across the region Local Authorities community benefit officers work to ensure the targets are achieved and recorded and these officers meet with the framework team on a regular basis to discuss initiatives and progress against targets, and any new developments.’

The Department of Work and Pensions

reports that their fit-out framework has shown how ‘*wider engagement with the market can support social value initiatives for increased employment opportunities such as high-risk groups (i.e. prison leavers), carbon reduction by more efficient heating systems and improve sustainability. The recent Rapid Estates Expansion Programme (REEP) procurement has outlined a number of such initiatives that DWP may be able to take up within these contracts. These have ranged from supporting military veterans into jobs, apprenticeships, increased support for their SME supply chain members, seeking local supply chain members and encouraging them be involved in workshops. Also, wider examples for working with local communities and paying the living wage via its contracts and supply chain’.*

The SCMG Trial Project

housing framework alliance reports ‘*additional employment and skills opportunities for individuals, for example 46 new apprenticeships over the first 18 months of the Hackney programme, plus establishment of the Building Lives Training Academy where apprentices who have got NVQ Level 1 are engaged by constructors/specialists according to demand of ongoing work so as to achieve NVQ Level 2 after 15/18 months’.*

Combatting Modern Slavery

The Playbook requires that ‘a risk-based approach in our commercial activity should be applied to combatting Modern Slavery starting in the planning and preparation stage’ (p.26).

Early involvement of tier 2 and 3 supply chain members at framework level is an important means by which clients and tier 1 suppliers can ensure the adoption of ethical and professional employment practices and can gain the information and insights they need in order to eradicate the possibility of Modern Slavery.

If frameworks do not make clear how clients, managers and suppliers go about achieving social value expectations, then social value targets may inadvertently lead to suppliers simply passing extra obligations and costs down the supply chain. In order to manage these risks:

- A Gold Standard framework connects social value expectations and measures to the proposals put forward when suppliers are appointed, it makes clear how these proposals will be implemented and it explores the potential for greater social value benefits where clients, managers, suppliers and supply chain members work together
- A Gold Standard framework contract supports social value through collaborative contractual machinery of the type described in Sections 5 and 13, agreeing the actions by clients, managers, suppliers and supply chain members that convert social value targets into agreed actions with clear timescales.

Recommendation 7: Capture improved value by identifying SME strengths and use Supply Chain Collaboration systems to maximise social value

To capture improved value from the contributions of SMEs, this review recommends that framework providers, clients and managers make framework appointments using evaluation criteria that identify SME strengths, and also use ‘Supply Chain Collaboration’ to create supplier-led alliances with supply chains that include local and regional businesses. To maximise social value, including improved employment, skills and environmental sustainability and the combatting of Modern Slavery, framework contracts should convert social value objectives into shared action plans with timescales and expected outcomes.



8. Frameworks and commercial pipelines

Frameworks have become a crowded and confusing marketplace. The Civil Engineering Contractors Association identifies over 1,660 public sector construction frameworks procured between 2015 and 2019 with an aggregate value of up to £220 billion. The sheer number of framework procurements illustrates why clients and suppliers need to make clear distinctions between the value that different frameworks offer.

A Gold Standard can help clients and suppliers identify where the real differences lie, what questions they should ask when assessing a framework, what answers they should expect and how they can make informed decisions.

Over 1,660
construction frameworks were
procured between 2015 and 2019.

Review participants express concerns regarding current uncertainty and confusion as to which public sector frameworks will govern particular pipelines of work. They highlight the wasted time, money and resources that they devote to bidding for multiple frameworks which are not connected to specific pipelines of work, just in case particular projects or programmes might be routed through one of those frameworks.

Where the industry is bidding for large numbers of frameworks and tracking which of these might govern any future work, these efforts are not productive and do not enable investment in delivering improved economic, social or environmental value. There is no commercial or competitive benefit in allowing multiple frameworks to claim the same pipelines of work and to create multiple possible routes through which suppliers might win the same potential projects.

70% of industry review
participants will not bid for a
framework with no pipeline.

Pipelines of work are essential for frameworks to drive strategic planning, continuous improvement and the delivery of better, safer, faster and greener project outcomes. Lack of visibility of prospective work does not offer clarity or inspire confidence and it will not attract supplier commitments. Over 70% of industry review participants state that they will not bid for a framework that does not offer a pipeline of work.

Review participants comment that problems are exacerbated by:

- Clients destabilising pipelines and framework relationships when they shop among many different frameworks and make their choices based on the lowest framework provider fee levels
- Competing and contradictory claims by different framework providers as to the pipelines committed to their frameworks without any objective measures or third-party validation
- Variable levels of clarity offered in framework procurements to help suppliers understand the potential pipelines committed to those frameworks
- Variable connections between framework providers and those clients and sectors whose interests they claim to serve.

Framework confidence and credibility

Frameworks without dedicated pipelines of work are essentially speculative lists of suppliers available for rapid call-off. They are a shortcut to project procurement, but they do not provide clients or industry with the means to improve value and reduce risk by implementing Construction Playbook policies. Major investments are made by industry when bidding for frameworks, and a place on an approved list is a poor return on these investments.

The Playbook requires that contracting authorities publish their plans for commercial pipelines of work, and states that *'Published commercial pipelines should look ahead three to five years to be truly effective'* (p.14). Frameworks provide the contractual medium through which to create confidence and credibility in relation to committed and prospective pipelines of work and keep them up to date.

Crown Commercial Service reports that *'the lack of pipeline visibility across public sector reduces contractors' ability to plan and diminishes ability of clients to collaborate. CCS provide:*

- Pipelines of registered projects, updated systematically as part of framework processes by a dedicated Construction category team
- Weekly updates of projects status and procurement dates as a shared pipeline on a web platform for accessible, centralised pipeline management.

This enables clients to find synergies and collaborate either through information-sharing, or at a deeper level, through multi-party integration via FAC-1'.

The Playbook undertakes to create a new central government procurement pipeline for public works projects in order to *'enable a diverse selection of suppliers to prepare for upcoming opportunities and develop better, faster, greener ways of delivery'* (p.14). The January 2021 Infrastructure and Projects Authority Mandate commits to publish *'regular procurement pipelines and National Infrastructure and Construction Pipelines to improve market visibility of demand and increase market confidence'*. It requires departments to *'provide procurement and pipeline data to the IPA to support the publication of Procurement Pipelines and National Infrastructure and Construction Pipelines'*.

It is not necessary for framework providers and clients to make unconditional promises in respect of their pipelines of work, but it is essential to their credibility that framework strategies, procurements and contracts provide as much information as they have available. The construction industry knows full well the constraints created by funding cycles, regulatory consents and intervening changes in client circumstances, and they can still invest in frameworks that identify these as preconditions. **What the industry needs is for framework providers and clients to have the confidence to share the following information:**

- Their planned pipelines of works, services and supplies and the specific frameworks through which they will be procured

- The known funding cycles, regulatory consents and other preconditions that could affect all or part of each pipeline of work being procured
- The minimum values and types of works, services and supplies that are committed to a framework and the procedures governing those commitments
- Any exclusivity created by the award of places on a framework and the procedures that govern any adjustments to that exclusivity.

The confidence of framework providers and clients to provide clarity on these matters will create industry confidence in their credibility and will attract increased market interest, commitment and investment.

Recommendation 8: Avoid wasted procurement costs and improve supplier commitments by ensuring that frameworks offer sustainable pipelines of work

In response to industry concerns regarding the significant cost and time wasted by clients and suppliers in procuring speculative frameworks, and in order to optimise competitive bids and strategic commitments from prospective suppliers, this review recommends that framework providers and clients make clear in all their framework procurements the pipelines of work to which they commit and the preconditions to implementing those commitments.

Specific actions include:

Framework strategy

- Consider and establish the commercial pipeline of works, services and supplies to which the client or clients can commit through the framework, and the factors and preconditions that limit those commitments.

Framework procurement

- State the clients' commitments to procure a commercial pipeline, state the factors and preconditions that limit those commitments, and evaluate the suppliers' capacity, capability and proposals for delivering that pipeline subject to those factors and preconditions.

Framework contract

- State the clients' and suppliers' commitments to a commercial pipeline, and the factors and preconditions that limit those commitments.

9. Framework market health and capability assessments

Forward planning through frameworks provides the opportunity for framework providers, clients and suppliers to invest in emerging technologies and innovations. These investments are closely linked to commercial strategies and long-term contracts that offer a convincing pipeline of work and make clear the rewards for delivering improved outcomes.

The Construction Playbook describes how longer-term contracts should enable *'project and programme teams to identify potential opportunities and limitations in the market, take advantage of emerging technologies and innovations, and consider what actions would increase competition and improve market health'* (p.10). It recommends the benefits of *'looking beyond individual contracts and suppliers'* and *'designing commercial strategies and contracts that promote healthy markets over the short, medium and long term'* (p.14).

Frameworks can attract supplier innovations if their providers have a vision that is sufficiently clear and persuasive. With the motivation of a pipeline of work and a credible commercial strategy, frameworks provide opportunities for clients to seek innovative supplier proposals at several points in the procurement process:

- When suppliers are seeking a place on the framework
- When suppliers are seeking appointment to a specific project or programme of work
- When suppliers are working collaboratively with clients and other suppliers, and also with tier 2 and 3 supply chain members, for the benefit of the framework as a whole.

Emerging technologies and innovations

Framework providers and clients should use pre-procurement consultation to inform their framework strategy. This will provide insights as to the potential for industry to offer the required or desired solutions, and as to the best means of promoting healthy competition in developing those solutions.

Exploration of emerging technologies and innovations is likely to identify limitations and gaps in the market, and well-structured frameworks can influence these limitations and gaps over the short, medium and long term. **The prospect of a place on a significant framework can motivate commitment to new investment by tier 1 suppliers and can also support investment in the strategic tier 2 and 3 supply chain relationships that may be necessary to access specialist expertise.**

Attracting and adopting supplier proposals that use emerging technologies and innovations will depend on an outcome-based approach to supplier evaluation and a clear understanding as to the treatment of supplier intellectual property rights in the proposals that they submit.

Gold Standard framework procurement documents and framework contracts state:

- How supplier proposals form part of the quality criteria that move the evaluation focus away from lowest price and towards a deeper understanding of bidders' capabilities
- The purpose of seeking competitive supplier proposals, including the processes by which these proposals are reviewed, developed and adopted once a supplier is appointed to the framework, and the basis on which these proposals will then be used to deliver improved client outcomes and Construction Playbook policies
- How confidentiality and intellectual property rights in supplier proposals will be respected
- By what process the framework provider, clients, manager and suppliers will seek agreement to share approved supplier proposals with other suppliers on the same framework
- How the recognition of supplier proposals in framework evaluation, and the success of supplier proposals in delivering improved outcomes, will affect the award of future work.

Recommendation 9: Use pre-procurement framework consultation to explore emerging technologies and innovations and to identify opportunities in the market

To incentivise improved outcomes, to optimise competition and to improve market health and capability, this review recommends that framework providers and clients use pre-procurement framework consultation to explore emerging technologies and innovations and to identify relevant opportunities and limitations in the market, and that their framework strategies, procurements and contracts embody this pre-procurement learning.

Specific actions include:

Framework strategy

- Consider the emerging technologies and innovations that the client or clients want to access through the framework in order to deliver the desired or required project outcomes, identify potential opportunities and limitations in the market and consider how the framework procurement and framework contract could optimise competition and improve market health and capability.

Framework procurement

- Embody pre-procurement learning and evaluate supplier proposals as to how emerging technologies and innovations will deliver the desired or required strategic and project outcomes.

Framework contract

- Embody pre-procurement learning and structure the value improvement systems to incentivise and take advantage of emerging technologies and innovations.



10. Framework portfolios and longer-term contracting

The Construction Playbook recognises that portfolios and longer-term contracting ‘*will give the industry the certainty required and make it commercially viable for suppliers to invest in innovative new technologies and MMC*’ (p.15), provided that contracting authorities demonstrate this ‘*does not come at the expense of an innovative and competitive market*’ (p.11).

Despite their potential as vehicles for integrating teams and improving value, frameworks are sometimes used cynically to attract lower prices by exaggerating the potential pipeline of work. Without confidence in long-term relationships and in the conditions governing the award of future work, the expectations created when awarding a framework can soon deteriorate into mutual disillusionment and distrust.

For frameworks to attract innovation and investments that deliver improved productivity and efficiency savings, it is fundamental that clients and managers provide a clear understanding to suppliers of the work covered by the framework, the scope and nature of call-offs and the prospect of good performance leading to longer-term project awards or additional project awards without additional mini-competitions.

HM Revenue and Customs summarise the benefits of their Government Hubs Programme frameworks as ‘*Opportunities for Framework Agreement contractors/ suppliers appointed include:*

- *Works and/or services on notable fit-out projects*
- *Securing repeat work*
- *Involvement in the design process to add value*
- *The ability to form collaborative relationships with the Employer to share lessons learned, innovative solutions, and cross-project knowledge transfer’.*

Improving continuity

Industry participants emphasise the potential for improved value where a single award procedure can be aggregated to cover a programme of work or a bundle of projects with common requirements. In a framework strategy, procurement process and framework contract, the framework provider, clients and manager should identify and use all opportunities for aggregating multiple projects in ways that gain the benefits of long-term contracting for portfolios of work.

60% of contractor participants report that mini-competitions can be wasteful.

Frameworks will not drive efficiency and continuous improvement if they always use mini - competitions to call off one project at a time. Over 60% of contractor review participants express concerns that the resources required to compete for individual framework projects can be wasteful and can fragment the potential of frameworks as effective long-term contracts. They emphasise the greater scope for innovation and investment in new technologies, for improving value and for reducing risk where framework systems enable longer-term or successive framework projects to be awarded on the basis of proven performance.

Scape reports that ‘*The direct award model, coupled with call off process requirements for free feasibility stage (Construction and Civil Engineering categories) and pre-engagement activities (Consultancy), together with inhouse commercial and benchmarking expertise, supports:*

- *The earliest possible market engagement to discuss alternate delivery routes*
- *Market intelligence to support “should cost” approaches*

- *Framework stipulations that our suppliers must get “under the skin” of the user’s capability and procurement strategies to choose the right contracting route.*

A prescriptive requirement to produce a value for money statement with the user articulates what is wanted and how it will be achieved’

The South East and Mid-Wales Collaborative Construction Framework reports that ‘*A Participating Authority may award a Call-off Contract without competition where a Framework Contractor is already engaged on a Call-Off Contract and the Employer is reasonably of the opinion that it needs to award one or more further Call-Off Contracts to that Contractor as the works under the existing and proposed contracts are linked or can’t properly be treated as a whole project or single requirement either because:*

- *the contracts cannot be performed separately for technical or economic reasons, without major inconvenience to the Employer;*
- *a further award is necessary to achieve consistency of design, appearance, technical, functional or other performance requirements;*
- *for health and safety or other practical reasons; or*
- *the contract follows on from a preceding contract for early contractor involvement undertaken by the relevant Framework Supplier.’*

Longer-term call-off commitments enable the parties to agree plans for delivering work linked to plans for improving value so that they can jointly monitor delivery, review performance, provide feedback, take corrective actions, measure effectiveness and implement a process of continuous improvement.

The provisions governing a portfolio approach in a framework contract, and in its call off and feedback procedures, should include ‘*clear contractual obligations to drive continuous*

*improvement in safety, time, cost and quality’ (p.15). These obligations help to sustain a competitive market when used as success measures and incentives that are linked to project outcomes. For example, where direct awards are made by sharing a programme of work among multiple suppliers, the agreed measures of continuous improvement can be taken into account when calculating possible increases or decreases in the shares of work awarded to each supplier. This approach was adopted in **Annex 3 case studies 4 and 8.***



Recommendation 10: Reduce procurement costs and improve value through the award of longer-term call-off contracts and the incentive of additional work

In response to industry concerns regarding inefficient and costly mini-competitions, this review recommends that framework providers and clients establish as part of their framework strategy the optimum duration, scope and continuity of framework call-offs, including the potential benefits of awarding long-term project contracts or additional project contracts without additional mini-competitions, and that framework providers and clients obtain supplier proposals as to how these awards will lead to innovations and investments that deliver improved productivity and efficiency savings.

Specific actions include:

Framework strategy

- Consider and establish the optimum duration, scope and continuity of call-off awards, including the scope for longer-term call-off awards and for additional project awards without additional mini-competitions in order for suppliers to provide innovations and investments in new technologies that will deliver improved productivity and efficiency savings.

Framework Procurement

- State the clients' commitments to call-off duration, scope and continuity, and evaluate suppliers' proposals as to how these commitments will affect innovations and investments in new technologies and the suppliers' delivery of improved productivity and efficiency savings.
- State the scope for longer-term call-off awards that aggregate programmes for work and for additional project awards without additional mini-competitions and evaluate suppliers' proposals as to how these prospects will affect innovations and investments in new technologies and the suppliers' delivery of improved productivity and efficiency savings.

Framework Contract

- State the clients' commitments to call-off duration, scope and continuity and the suppliers' commitments in response to the prospect of longer-term call-off awards or additional project awards without additional mini-competitions.
- State how these commitments will affect the suppliers' innovations and investments in new technologies and the suppliers' delivery of improved productivity and efficiency savings.
- State clear obligations to drive continuous improvement in safety, time, cost and quality.



11. Harmonising, digitising and rationalising framework demand

The Construction Playbook describes how harmonising, digitising and rationalising demand across contracting authorities will *'accelerate the development and use of platform approaches, standard products and components.'* It predicts that *'combined with longer term contracts, this will transform the market's ability to plan, invest and deliver digital and offsite manufacturing technologies'* (p.11).

Frameworks can provide consistent pipelines of work that support the planning and investment required to develop digital and offsite manufacturing technologies, and they can enable delivery of improved value through the strategic application of platform approaches, standard products and components.

The Connect Plus Trial Project highways framework reports how *'improvements to the design were identified that reduced whole life costs and improved the long-term reliability of the works. Such improvements included rationalisation of bolt sizes, improvements to the noise damping systems and additional packing to base plates.'* (**Annex 3 case study 3**).

The Department for Education reports that *'Since 2017 DfE has developed standardised school design guides. These design solutions offer a series of fully compliant 'clusters' arranged to a standardised grid dimension of 3.6m which can be brought together in various permutations to achieve layouts that fulfil DfE requirements and suit virtually any site situation'*.

The Department for Education reports that *'The MMC1 framework was established to cultivate innovation, modernise the industry and increase the capacity of the offsite / MMC market by increasing the adoption of MMC/offsite production in UK construction, in line with the government's presumption in favour of offsite/MMC and the government's industrial strategy. A requirement of this framework is that at least 70% of the construction value of each project is created in a manufacturing environment, then the large-scale assemblies and components are transported to site where they can be rapidly brought together into finished buildings. Bringing a greater proportion of the value creation into manufacturing facilities allows for improved build quality through consistency of workforce, controlled indoor environment, increased quality control inspections, safer working conditions and reduced material waste. Each of the MMC Panel Members, working with their standardised component solutions, is able to create Building Information Models very rapidly from their BIM libraries'*.

Optimising MMC call-off

The Playbook recognises the importance of *'longer term contracting'* to the success of MMC and requires that public sector clients should *'actively consider how we can maximise the use of MMC'* (p.18). Gold Standard frameworks provide the long-term commitments that enable balanced and thorough assessment of potential MMC solutions. They also provide the systems for longer term, larger scale appointments of tier 2 and 3 specialists who have MMC production facilities and expertise.

Gold Standard framework contracts can provide for the award of long-term MMC call-off contracts, for example under the JCT2016 Measured Term Contract, the NEC4 Term Service Contract and the TAC-1 Term Alliance Contract. These long-term call-off contracts

enable the issue of multiple orders which is a more efficient way to sustain an MMC production line than by the creation of multiple, separate construction contracts. Long-term call-off contracts are used, for example, by clients of Crown Commercial Service under their FAC-1 Modular Building Solutions framework alliance.

The Playbook recommends that *'Contracting authorities should collaborate to find opportunities not only for their own platform solutions but also for ways in which cross-sector platform solutions can be applied'*. It states that *'Future procurements and frameworks should support this with the development of a market that can develop and deliver designs based on these platform approaches, manufacture and supply components, and innovate to improve and develop these over time'* (p.20).

The Playbook also notes the potential for *'Greener solutions as a result of an increase in manufacturing approaches'* (p.19), and it requires that *'solutions put forward by potential suppliers are accompanied by a whole life carbon assessment'* (p.23).

Many of the frameworks reviewed are structured to enable call-off by multiple clients. **Where a framework provider and manager work with multiple clients to plan their projects and programmes of work together, they can collaborate at an early stage to consider the ways in which platform approaches, standard products and components can be applied consistently across multiple projects. They can explore the extent to which consistent workflow across successive framework projects can help to sustain MMC production lines.** This active framework management and collaboration among framework clients can create an environment in which to improve value by harmonising, digitising and rationalising MMC solutions that deliver the required and desired project outcomes.

MMC and framework sub-alliances

Framework procurement models and framework contracts can provide for call-offs through a multi-party framework *'sub- alliance contract'* that supports MMC by integrating the work of multiple suppliers and by aggregating multiple projects. All the Crown Commercial Service framework alliances provide the option for call-off through a sub-alliance contract which is structured as follows and does not constitute a *'framework within a framework'*:

- The sub-alliance contract integrates multiple framework projects already awarded to tier 1 suppliers under an overarching framework alliance
- The sub-alliance stimulates collaboration among tier 1 suppliers in order to obtain best value from strategic supply chain relationships with offsite manufacturers
- The sub-alliance contract includes a timetable of strategic ESI through Supply Chain Collaboration, describing the preconstruction processes and interfaces that govern development of consistent designs based on platform approaches
- The prospect of early collaborative appointments on multiple projects motivates supply chain members to propose innovative MMC solutions that improve value for the benefit of all projects within the sub-alliance
- The sub-alliance contract acts as an integrator between the client, suppliers and supply chain members for the efficient use of BIM to create, exchange, review and integrate digital information.

Under the **Crown Commercial Service** construction framework alliance, the **Ministry of Justice** reports that they are working on a Playbook pathfinder to procure the four prisons comprising their £1 billion New Prisons Programme, using an FAC-1 collaborative sub-alliance.

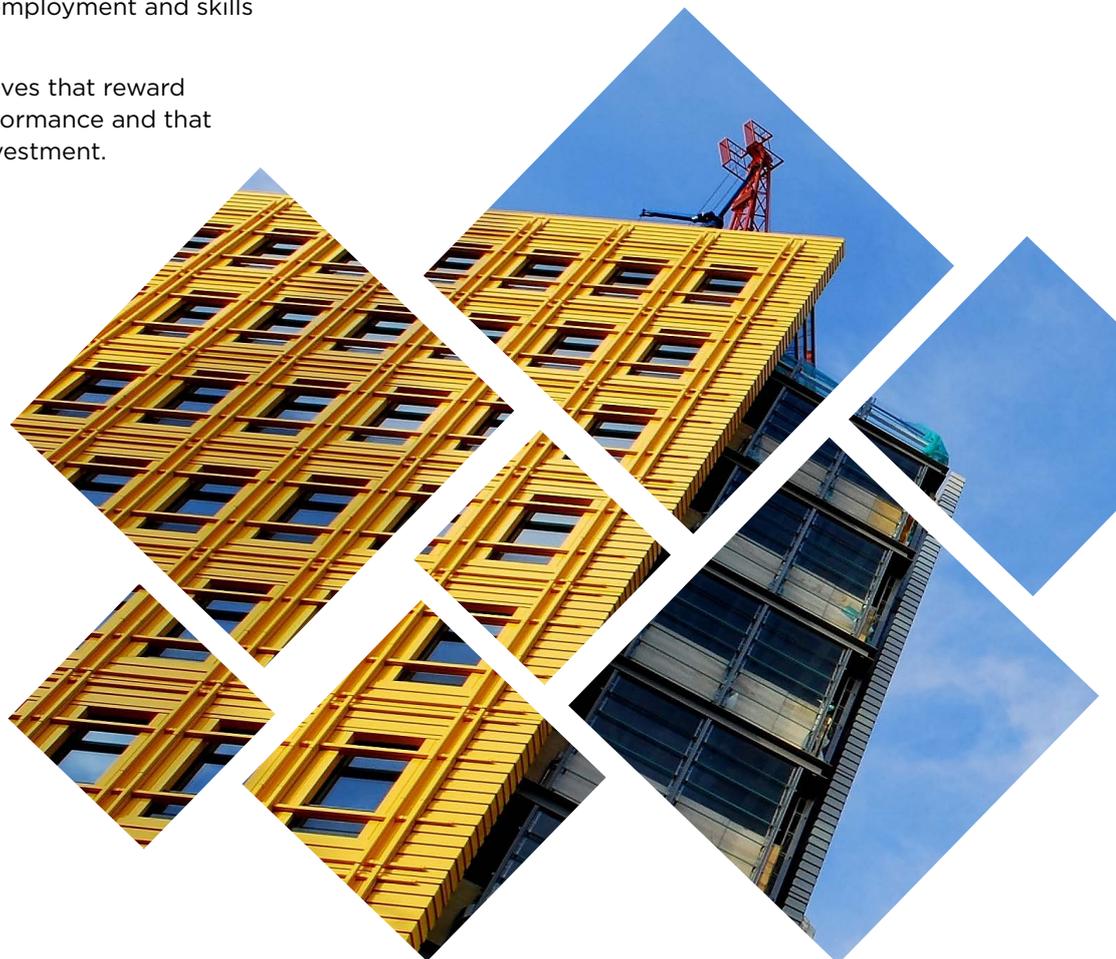
The sub-alliance will integrate the work of four suppliers and will support their use of ESI, BIM and MMC to agree optimum designs and strategic relationships with key tier 2 supply chain members. Engagement with tier 2 supply chain members will be led jointly by the four contractors, and by Mace as alliance managers, so as to be free from public procurement constraints.

The sub-alliance will use Supply Chain Collaboration to agree strategic commitments with tier 2 supply chain members for each key package, bringing them into the alliance and preserving their collaborative commitments to efficiency and improved value after the award of successive NEC4 construction phase project contracts.

The FAC-1 sub-alliance contract will also create an *'integrated information management contract'* that connects the IP licences and BIM contributions of the suppliers and supply chain members across the four prison projects.

A Gold Standard framework includes a strategy, procurement process and framework contract that support long-term investment in MMC and in other digital and offsite manufacturing technologies, making clear:

- The optimum scope and duration of the framework to attract the most efficient development and use of MMC and other digital and offsite manufacturing technologies
- Evaluation criteria that include:
 - assessment of whole life value, recognising that *'Paying more for higher quality may be justified if the whole life cost is advantageous'* (p.56)
 - assessment of social value, for example where MMC offsite production facilities are located in areas that urgently need new business, employment and skills opportunities
- Call -off and incentives that reward innovation and performance and that motivate further investment.



Recommendation 11: Improve supplier investments in MMC and other offsite technologies by awarding framework call-off contracts for portfolios of work

To obtain improved value from suppliers planning, investing in and delivering MMC and other offsite manufacturing technologies, this review recommends that framework providers, clients and managers use their framework strategies, procurements and contracts to explore and agree the benefits of MMC and other offsite manufacturing technologies and the additional benefits of one or more clients calling off aggregated portfolios of work.

Specific actions include:

Framework strategy

- Consider how the framework could deliver client outcomes by accelerating the development and use of MMC, platform approaches, standard products and components.
- Consider how MMC, platform approaches, standard products and components could affect the suppliers' ability to plan, invest and deliver digital and offsite manufacturing technologies.
- Consider how value and outcomes could be improved by multiple clients procuring the framework together across portfolios of public works and by the development of cross-sector platform solutions.

Framework procurement

- Evaluate supplier proposals to develop and use MMC, platform approaches, standard products and components.
- Evaluate supplier proposals to plan, invest in and deliver digital and offsite manufacturing technologies.

Framework contract

- Structure the systems for call-off, value improvement and risk management to incentivise and take advantage of MMC, platform approaches, standard products and components supported by digital and offsite manufacturing technologies.
- Include the option of a sub-alliance to integrate the work of multiple suppliers and supply chain members across multiple framework projects.

12. Further embedding digital technologies through frameworks

The Construction Playbook expects contracting authorities to use *'the UK BIM Framework to standardise the approach to generating and classifying data, data security and data exchange, and to support adoption of the Information Management Framework and the creation of the National Digital Twin'* (p.11), in order to *'enable secure, resilient data sharing across organisations and sectors'* (p.20).

Successful frameworks depend on communicating the right information to the right parties at the time when they can best use it to improve outcomes – and then making sure that they use it in the right way. BIM and other digital technologies can improve integration among framework providers, clients, managers, suppliers and supply chain members in relation to the quality, consistency, transparency and management of the information that they generate and use.

NHS Procure reports that the ProCure 22 frameworks are *'using Principal Supply Chain Partner collaboration and pooled buying power to secure preferential rates (plus extended warranties and free design) for commonly used components, which has saved over £18 million to date. ProCure 22 offers free use of other ProCure framework project information and designs via Project Share, and free use of repeatable/standardised compliant room designs, using PSCP experience and know-how to produce ready 'drag and drop' designs (including CAD, BIM, REVIT and ADB files) for more than 20 common healthcare rooms'*.

The development of agreed approaches to the successful use of digital technologies is closely linked to the interfaces and systems that can be established in framework procurement. A **Gold Standard framework provides for BIM and other digital technologies to underpin the agreed approaches to design, supply chain engagement, costing, risk management and programming, both strategically and in the award and implementation of framework projects.** However, the feedback from review

participants suggests a lack of consistency in the use of digital technologies to support current frameworks, and over 78% consider that frameworks need to make better use of BIM.

78% of review participants say that frameworks should make better use of BIM.

There should be a natural fit between digital technologies and the framework systems governing MMC, ESI and Supply Chain Collaboration. Framework contracts can describe how digital technologies are enabled and supported through specific provisions governing:

- The impact of digital information on the timing of agreed framework activities
- The use of digital technologies for call-off
- Mutual intellectual property rights among clients, managers, suppliers and supply chain members
- Reliance on digital information by clients, managers and suppliers
- Responsibility for managing digital information
- Links between the digital information used for the design, construction and operation of framework projects and programmes of work.

Before commencing the framework procurement, framework providers and clients should consider how client outcomes can be improved by standardising the generation and classification of data, data security and data exchange across organisations and sectors. In the framework procurement, they should evaluate supplier proposals to improve performance, safety, sustainability and value for money through the development and use of BIM and other digital technologies.

Perceived threats to intellectual property rights are seen as a serious obstacle to collaborative innovation through BIM, because suppliers and supply chain members are concerned that they

will lose control of their original ideas. They fear these ideas will be copied and used by others without their consent. Framework contracts can help to avoid this roadblock by making clear:

- Mutual intellectual property ownership rights and protections between clients, managers and suppliers in respect of their contributions to BIM models and other digital information
- The grant of mutual limited, non-exclusive intellectual property licences to reproduce, distribute, display or otherwise use those contributions
- The requirement for back-to-back arrangements between suppliers and supply chain members.

Digital integration through a framework alliance contract

Strategic commitments to digital technologies can be improved through direct relationships between a framework provider, clients, manager and suppliers which:

- Ensure stronger commitment to shared objectives and collective self-regulation, as well as to improved transparency and efficiency, creating the ability to share digital information on mutually agreed terms
- Enable collective decision-making so that the outcomes from the digital technologies used on different projects are drawn together and applied more effectively
- Enable value-adding digital activities and processes, stating who works with whom and at what level of responsibility
- Clarify the whole life operational impact of digital information on the repair, maintenance and operation of completed framework projects.



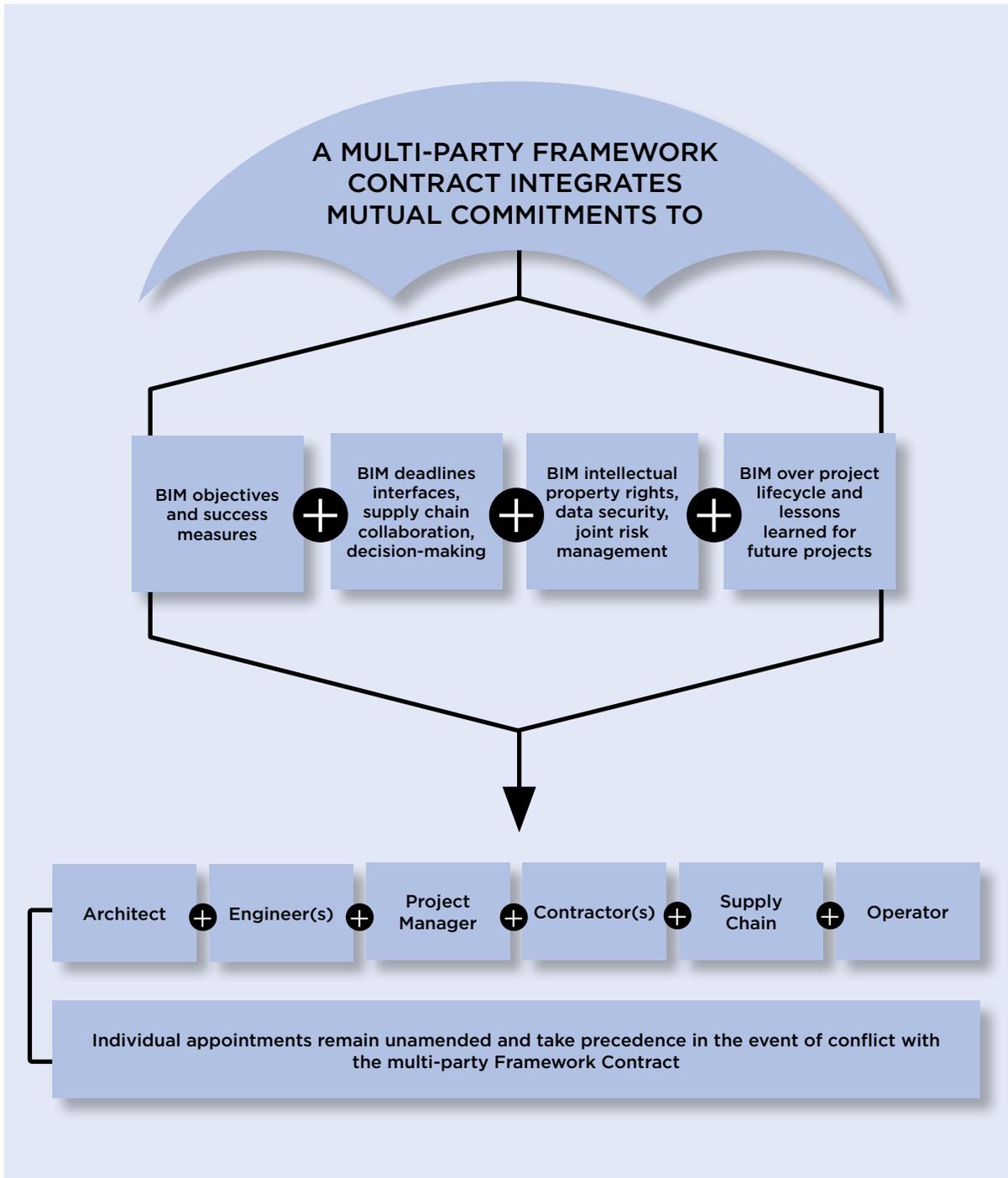


Diagram 4: A framework alliance contract operating as an integrated information management contract

In order to develop and communicate digital information more efficiently across project teams, across project lifecycles and across frameworks, a multi-party framework alliance contract can act as an *'integrated information management contract'* which clarifies and connects the shared objectives, direct

relationships and common standards that are needed to create, share and manage secure, resilient digital information among multiple organisations. This contractual model reflects the pivotal role of collaboration in construction projects and asset management as stated in the BIM international standard ISO19650-1:2018.

The BIM international standard

ISO19650-1:2018 states that *'collaboration between the participants involved in the construction projects and in asset management is pivotal to the efficient delivery and operation of assets'* and that *a significant outcome from collaboration is 'the potential to communicate, re-use and share information efficiently and to reduce the risk of loss, contradiction or misinterpretation'*.

YORhub reports that it *'provides information for users on BIM and YORhub frameworks facilitate BIM. Suppliers appointed to the framework are expected to have BIM capability, and YORhub supports and encourages users and suppliers to develop their understanding and capability regarding BIM.'*

Frameworks and whole life value

The Construction Playbook requires that *'Operators should be engaged early and continuously'* in the project lifecycle and that *'Transition to the operator will include a 'golden thread' of building information to allow safety to be at the forefront of operations'* (p.68). Over 81% of review participants consider that frameworks should do more to drive whole life value procurement.

81% of review participants say frameworks should drive whole life value.

Review participants note the reluctance of many clients to invest in a whole life approach to procurement that would enable digital information to improve the safe and efficient operation of built assets. Participants link this reluctance to their perception that most public sector clients manage their capital and operational expenditure separately and, as a result, find it challenging to evaluate and implement whole life solutions. Whole life value is described by one supplier participant as *'the unattainable Holy Grail'* of procurement.

There is an important role for Gold Standard framework providers and managers to play in providing guidance, training and support that helps clients and suppliers to understand and explore the full potential of BIM and other digital technologies and the related benefits of whole life procurement.

Gold Standard clients and framework providers consider in their strategies and pre-procurement consultation enquires how the safety, performance, sustainability and value for money of framework projects and programmes can be improved over the entire asset lifecycle by the *'golden thread'* of building information being passed on from the design team to the facility operator via the contractor.

The procurement of Gold Standard frameworks makes clear how digital technologies and whole life procurement are integral to delivering the Playbook's cross-cutting priorities of improved building safety and net zero GHG emissions as well as improved efficiency and client outcomes. **Framework providers and clients should evaluate proposals from prospective suppliers as to how they would use digital technologies to create a golden thread of information that supports whole life asset management.**

A Gold Standard framework contract enables digital technologies to be used in conjunction with whole life procurement. It structures the contractual systems that govern call-off, value improvement and risk management so as to integrate the digital contributions that comprise the golden thread of information exchanges, retention and management over the whole life of the framework assets.

Recommendation 12: Create a whole life golden thread of asset information using BIM and other digital technologies integrated under a framework alliance contract

To improve performance, safety, sustainability and value for money over the whole life of built assets, this review recommends that framework providers, clients, managers and suppliers use BIM and other digital technologies to standardise data generation, classification, security and exchange and to retain and manage a golden thread of building information, and that framework alliance contracts support these actions by integrating the information management systems of clients, suppliers and supply chain members.

Specific actions include:

Framework strategy

- Consider:
 - how digital technologies can improve value and reduce risks
 - how the framework can deliver client outcomes by standardising the approach to generating and classifying data, data security and data exchange
 - how the performance, safety, sustainability and value for money of projects and programmes can be improved through the effective retention and management of the golden thread of building information being passed on from the design team to the facility operator via the contractor
 - how a common framework of standards and protocols will enable secure, resilient information sharing across organisations and sectors.

Framework procurement

- Evaluate supplier proposals to improve performance, safety, sustainability and value and to reduce risks through the development and use of digital technologies.

Framework contract

- Structure the systems for call-off, value improvement and risk management to:
 - implement approved supplier proposals to improve performance, safety, sustainability and value and to reduce risks through the development and use of digital technologies
 - integrate the whole life retention and management of digital contributions to the golden thread of building information so that it is passed on from the design team to the facility operator via the contractor
 - integrate a common framework of standards and protocols that will enable secure, resilient information sharing across organisations and sectors.

13. Framework early supply chain involvement (ESI) and Supply Chain Collaboration

Early supply chain involvement ('ESI'), as defined in the Construction Playbook, 'extends the principle of early contractor involvement by formally engaging the tier 1 contractor alongside the tier 2 and 3 sub-contractors and suppliers in the pre-construction phase to input into the design (including the use of standards for products and interfaces), costing, risk management and structuring of a project or programme' (p.24). The Playbook requires that 'All public works projects should contract for early supply chain involvement (ESI)' (p.27), and this policy represents an important step towards more integrated public sector construction procurement. Frameworks have a significant role to play in bringing ESI to life and ensuring that its adoption delivers improved outcomes.

ESI starts with the pre-procurement involvement of potential tier 1 suppliers and potential tier 2 and 3 supply chain members 'in developing the business case for projects and programmes' (p.11) so as to test the deliverability of client requirements, the feasibility of alternative options and the appetite for innovative solutions that could deliver better outcomes. When developing a Gold Standard framework strategy, framework providers and clients should:

- Consider ways in which the framework can deliver better client outcomes, improved value and reduced risk by formally engaging tier 1 suppliers alongside tier 2 and 3 supply chain members, strategically and in the pre-construction phase of framework projects
- Consider how the framework can use ESI to obtain SME insights into MMC, innovative technologies, social value, combatting Modern Slavery and ways to minimise the GHG footprint of proposed solutions across their whole lifecycle
- Involve prospective tier 1 suppliers and prospective tier 2 and 3 supply chain members in developing the framework business case.

Once the business case is approved, and if framework clients provide clear outcome-based specifications, then ESI 'will facilitate innovative, cost-effective solutions ensuring there is a major focus on social value and sustainability' (p.22). The Playbook states that ESI is 'key to reducing

end-to-end programme timescales, identifying opportunity and mitigating risk early and accessing the industry experts' knowledge and experience in all tiers of the supply chain early in the project or programme lifecycle' (p.22).

ESI has been recommended for public sector procurement since the 2011 Government Construction Strategy and is a feature of the recommended collaborative procurement models known as 'Two Stage Open Book', 'Cost Led Procurement' and 'Integrated Project Insurance'. ESI has had widespread success in delivering improved economic, social and environmental value, as evidenced in each of the case studies at Annex 3.

ESI in framework projects

Early involvement of tier 1 suppliers on specific framework projects is a feature in many of the frameworks shared by framework providers and clients for the purposes of this review. In most cases this is described as the optional early appointment of a tier 1 supplier to undertake pre-construction works and services but in others, such as the Southern Construction Framework, ESI is a requirement for all framework call-offs.

The Southern Construction Framework

requires that their users adopt ESI on all framework projects through the 'Two Stage Open Book' procurement model, and report that 'Key to the two-stage approach is to measure the added value from the early involvement of the contractor at pre-construction. All the cost savings or other value add items are recorded in our database and signed off by the client. From this, we can demonstrate that on average, every project finds added value equivalent to 10% of the project cost during pre-construction. The Cabinet Office validated this approach and has used these added value figures in their annual reports.

Many of the framework contracts reviewed include preconstruction services agreements. These are nearly all bespoke forms which vary in their wording, structure and length. Each bespoke preconstruction services agreement creates an additional burden and cost for framework clients and suppliers in understanding and applying its terms. Contrary to the Playbook requirement to use unamended standard form project contracts, most of the frameworks reviewed do not use the standard preconstruction phase forms, options and systems published in the JCT2016, NEC4 and PPC2000 contract suites.

As regards the integration of preconstruction services agreements with construction phase project contracts, the Playbook notes that the *'procurement process, evaluation approach and contract should generally be structured to cover both the ESI and the construction phase. While it is possible to follow ESI with a further competitive procurement process, this can undermine the benefits of using ESI'* (p.24). The lack of integration between some framework preconstruction services agreements and the separate construction phase contracts that follow them is vulnerable to this criticism.

Framework contracts can also provide for limited, project level ESI to be undertaken through the issue of orders for early works, services or supplies in advance of the award of a project contract. These order forms need to be integrated with the terms of the relevant project contracts so that early works, services or supplies are treated as an integral part of each project.

Overcoming resistance to ESI

The significant economic, social and environmental value that can be achieved through ESI is illustrated in **Annex 1 Case Studies 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10**. Review participants confirm that ESI improves value and reduces risks for clients and for suppliers, but they also note that many clients do not adopt ESI for framework call-offs because consultants unconnected with the framework continue to advise a single stage, lowest price approach.

This is a worrying trend in view of the wealth of evidence showing how ESI improves value, and in view of the poor track record of single stage, lowest price procurement in avoiding cost and time overruns and in delivering safe, high quality project outcomes. **Gold Standard framework providers and clients need to ensure that consultants understand and adopt ESI as**

essential to the systems by which Playbook policies deliver improved value.

Review participants express concern that reluctance to use ESI as a proven system for improving project outcomes is symptomatic of the ways in which frameworks are being misused as a last-minute convenience store for clients and consultants who have not planned ahead. Most participants welcome the Construction Playbook requirement that *'all public works projects should contract for early supply chain involvement'* (p.27) because this will enable framework providers, clients, managers and suppliers to challenge any advisers and colleagues who are not aware of the problems inherent in a single stage approach.

The North West Construction Hub reports that *'The NWCH advocates to use of Two Stage Open Book as the preferred route for delivery of public funded construction projects. The call off process has a 6 week target maximum time period from Expression of Interest to preferred contractor appointment'*.

'The added benefits of two stage tendering, collaborative working, early contractor and supply chain engagement, joint risk allocation and management, cost transparency, cost certainty, deliverable social value, local employment and skills development are lost if they become secondary to lowest price.'

Framework ESI and supply chain members

Framework participants report successful early work with tier 1 suppliers but offer less evidence of ESI as a means to obtain early contributions from tier 2 and 3 supply chain members, including SMEs. Several participants suggest that tier 2 and 3 supply chain members are *'not yet ready'* or are *'not sufficiently mature'* to participate in ESI, although it is not clear how they reach these conclusions.

The omission of tier 2 and 3 supply chain members from ESI can result in significant missed opportunities for clients and tier 1 suppliers, and the Playbook comments that ESI should 'help highlight the interdependencies of specialist supply chain members and allow them

to be part of developing the solution to the right quality levels and increase safety collaboratively' (p.22).

Framework contracts can provide for tier 2 and 3 ESI in several ways, both at framework level and project level:

- ESI systems forming part of framework procurements and call-offs leading to direct client appointments of tier 2 and 3 specialists
- ESI systems forming part of framework procurements and call-offs leading to the nomination of tier 2 and 3 specialists as supply chain members appointed by tier 1 suppliers
- ESI systems in the framework contracts and call-off processes of tier 1 suppliers, describing how and when they will each extend ESI to tier 2 and 3 supply chain members when implementing project contracts
- ESI systems in the framework contracts of tier 1 suppliers, describing how and when they will work collaboratively with clients and other tier 1 suppliers to extend ESI to tier 2 and 3 supply chain members in advance of and separate from the award of project contracts.

The Connect Plus Trial Project reports that its framework *'teams have a clear process for exchanging information on a collaborative basis at an early stage, with participants in early contractor involvement meetings working together to agree solutions that promote the best method of delivering the project. Often such discussions are led by the tier 1 contractor (with tier 2/3 support), so as to utilise experience from recent similar projects and to offer clear and well considered methods for the efficient delivery of the works.'*

Framework ESI with suppliers and supply chain members is an effective system through which to evaluate and adopt proposals for net zero carbon targets and other sustainability initiatives. For example, by inviting ESI proposals from suppliers and from tier 2 and 3 supply chain members at a time when they can be assessed at a strategic level, a framework

can establish the full potential for significant reductions in environmental impact through:

- Proposals to reduce GHG emissions
- Proposals to reduce waste and increase recycling
- Proposals for efficient use of energy on and off site, including through MMC
- Proposals for efficient use of energy in the operation of the built facility.

The Archbishop Beck School Trial Project used ESI under the Scape framework to ensure that the team *'benefitted from lessons learned on the previous Notre Dame School project. It also contributed to the City-wide initiative led by Liverpool City Council for the engagement of local tier 2/3 Subcontractors and Suppliers and improvement of local employment and skills commitments.'*

Framework ESI through Supply Chain Collaboration

At framework level, ESI can reach tier 2 and 3 supply chain members through supplier-led *'Supply Chain Collaboration'*, a system which is designed to improve tier 2 and 3 commitments and contributions by reviewing, improving and potentially aggregating the supply chain relationships created by tier 1 suppliers for framework projects and programmes of work.

The processes of Supply Chain Collaboration are summarised in **Diagram 5** and are described in Cabinet Office guidance.

The Project Horizon Trial Project highways alliance reports that Supply Chain Collaboration led by Kier with Surrey County Council, Aggregate Industries and Marshall Surfacing generated agreed savings in excess of 12% over a period of five years in exchange for:

- Visibility and continuity of larger scale, longer term work pipeline of work
- Advance planning of work on each annual cycle

- Prompt payment at all levels of the supply chain
- Closer supply chain involvement in design and planning
- Availability of storage facilities in client depots.

Review participants comment that current frameworks can fail to reach local and regional SMEs because tier 2 and 3 supply chains are established by tier 1 suppliers who have little knowledge of local or regional markets and capabilities. **Supply Chain Collaboration can ensure that tier 1 suppliers take account of the particular benefits that local and regional supply chain members can offer in terms of cost, quality, sustainability and other relevant factors.**

- The Project Horizon Trial Project** highways alliance also reports qualitative benefits comprising:
- Improved whole life value, including a ten-year warranty for materials and pavements
 - Improved quality control through joint risk management
 - Improved apprentice commitments by tier 2 and 3 supply chain members
 - Time savings through lean programming
 - Innovations that increased recycling and reduced landfill
 - No major remedial work required and no major health and safety incidents
 - Over 100 complimentary letters received from residents and Council members.

Supply Chain Collaboration therefore provides a major breakthrough for central and local government and other public sector clients who wish to support local and regional economies without infringing public procurement regulations and without undertaking their own direct tier 2 and tier 3 procurements. The benefits of framework ESI through Supply Chain Collaboration are demonstrated in **Annex 3 case studies 1, 2, 3, 4, 5, 6, 7, 8 and 9.**

The processes of Supply Chain Collaboration are described in more detail in **Annex 5.** The benefits of Supply Chain Collaboration in optimising contributions from SMEs are described in Section 7.

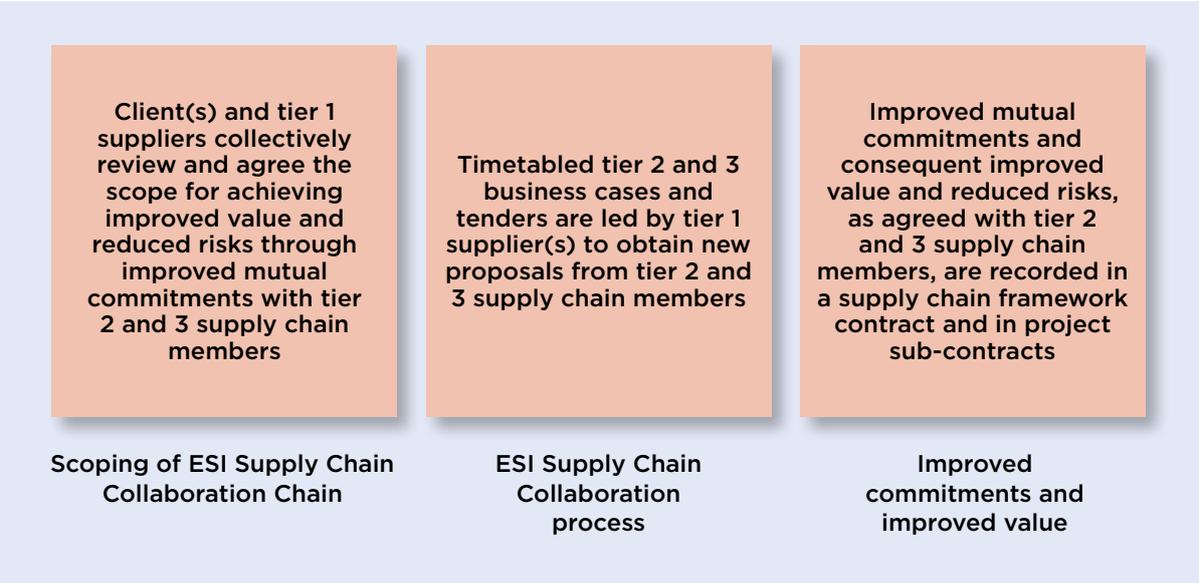


Diagram 5: Structure of framework ESI through Supply Chain Collaboration

Recommendation 13: Improve economic, social and environmental outcomes through framework early supply chain involvement (ESI), using Supply Chain Collaboration systems in all framework contracts

To maximise the improved value demonstrated by ESI in collaborative framework case studies, including efficiency savings, improved quality and safety, improved social value and reduced GHG emissions, this review recommends that framework providers, clients and managers use framework ESI to obtain and evaluate supplier and supply chain insights, innovations and proposals, including a contractual 'Supply Chain Collaboration' system through which to create strategic supply chain relationships that improve project outcomes.

Specific actions include:

Framework strategy

- Consider ways in which the framework can deliver client outcomes with improved value and reduced risk by formally engaging tier 1 suppliers alongside tier 2 and 3 supply chain members, strategically and in the pre-construction phase of framework projects.
- Consider the benefits to the framework of using Supply Chain Collaboration.
- Consider how ESI can obtain SME insights into MMC, innovative technologies, social value, eradicating Modern Slavery and ways to minimise the GHG footprint of proposed solutions across their whole lifecycle.
- Involve prospective tier 1 contractors and prospective tier 2 and 3 supply chain members in developing the framework business case.

Framework procurement

- Evaluate supplier ESI proposals:
 - to reduce end-to-end programme timescales, identify opportunities, mitigate risks, develop solutions to the right quality levels and increase safety
 - to work collaboratively alongside other tier 1 suppliers and tier 2 and 3 supply chain members
 - to implement Supply Chain Collaboration systems for unlocking additional value and innovations.

Framework contract

- Structure the systems for call-off, value improvement and risk management, and the framework pre-construction services agreements, so as to:
 - formally engage tier 1 contractors alongside the tier 2 and 3 sub-contractors and suppliers at a strategic level and in the pre-construction phase of framework projects
 - access industry experts' knowledge and experience in all tiers of the supply chain early in the project or programme lifecycle
 - collaboratively manage the relationships and interdependencies of supply chain members
 - state the Supply Chain Collaboration systems for unlocking additional value and innovations.

14. Outcome-based approaches to frameworks and call-offs

The Construction Playbook requires an outcome-based approach to procurement that enables clients and suppliers to focus on achieving required and desired results, and that makes best use of supplier innovations and expertise. It describes the benefits of specifications that *'focus on outcomes rather than scope'*, using a new Project Scorecard *'to support projects and programmes in setting clear outcomes that align with government's strategic priorities'* (p.11).

Frameworks govern multiple projects, and their successful procurement depends on crafting a suitably generic, outcome-based approach specification when scoping the framework brief that enables an outcome-based approach to evaluating supplier framework bids. This approach can then be followed through in an outcome-based approach to specifications and evaluation when calling-off specific projects and programmes of work. The solutions put forward by suppliers in response to outcome-based specifications should form a significant part of the qualitative evaluation criteria. As part of this process *'Contracting authorities should require that solutions put forward by potential suppliers are accompanied by a whole life carbon assessment. This should be conducted in collaboration with the wider supply chain, reflecting ways of minimising the GHG emissions across the life of the asset'* (p.23).

Review participants confirm that many current frameworks invite supplier solutions as part of the framework evaluation process, but that narrower more prescriptive specifications are often used when calling off specific projects and programmes of work. They also comment that, where an outcome-based call-off approach is adopted, this sometimes requires two suppliers to take part in a design competition before a call-off appointment is made. Participants argue that the speculative time and cost devoted to these exercises can be disproportionate to the value and complexity of the relevant project.

Supplier framework solutions and intellectual property

As regards the review and sharing of supplier solutions across the wider framework, review

participants express concern that many current framework contracts:

- Do not recognise the importance of intellectual property rights to supplier business models and do not take a balanced approach to the licensing and protection of those rights
- Do not include joint decision-making machinery among clients, managers and suppliers which would enable the agreement of a fair and equitable approach to cross-framework adoption of improved solutions.

The evaluation and adoption of solutions submitted by suppliers in response to an outcome-based specification requires a clear understanding as to the licensing and protection of supplier intellectual property rights, and the Playbook states that:

- *'It is important to create a common understanding of what IP is and how it might arise from the contract'*
- *'IP should be managed through the life of the contract with clear responsibilities set out in the contract'* (p.26).

In order to attract supplier solutions, it is important to make clear in the framework procurement process and in the framework contract the ways in which clients and suppliers may agree to share those solutions for the benefit of the framework as a whole. The Playbook states that *'Trust is key and it is important that a mutually beneficial, open and collaborative approach is adopted during the process in sharing ideas and innovative solutions'* (p.24).

Outcome-based performance measurement

An outcome-based specification should be linked to the measurement of performance by reference to the achievement of those outcomes. The measurement system can also recognise where performance is impaired by limited capacity, and contractual systems can then enable adjustment of the workflow

if certain suppliers become overloaded. This approach was adopted in **Annex 3 case studies 4 and 8** where the framework contracts stated the process by which success measures and targets could determine variations in the award of project contracts.

Review participants express concern that value improvement opportunities can be missed where performance measures:

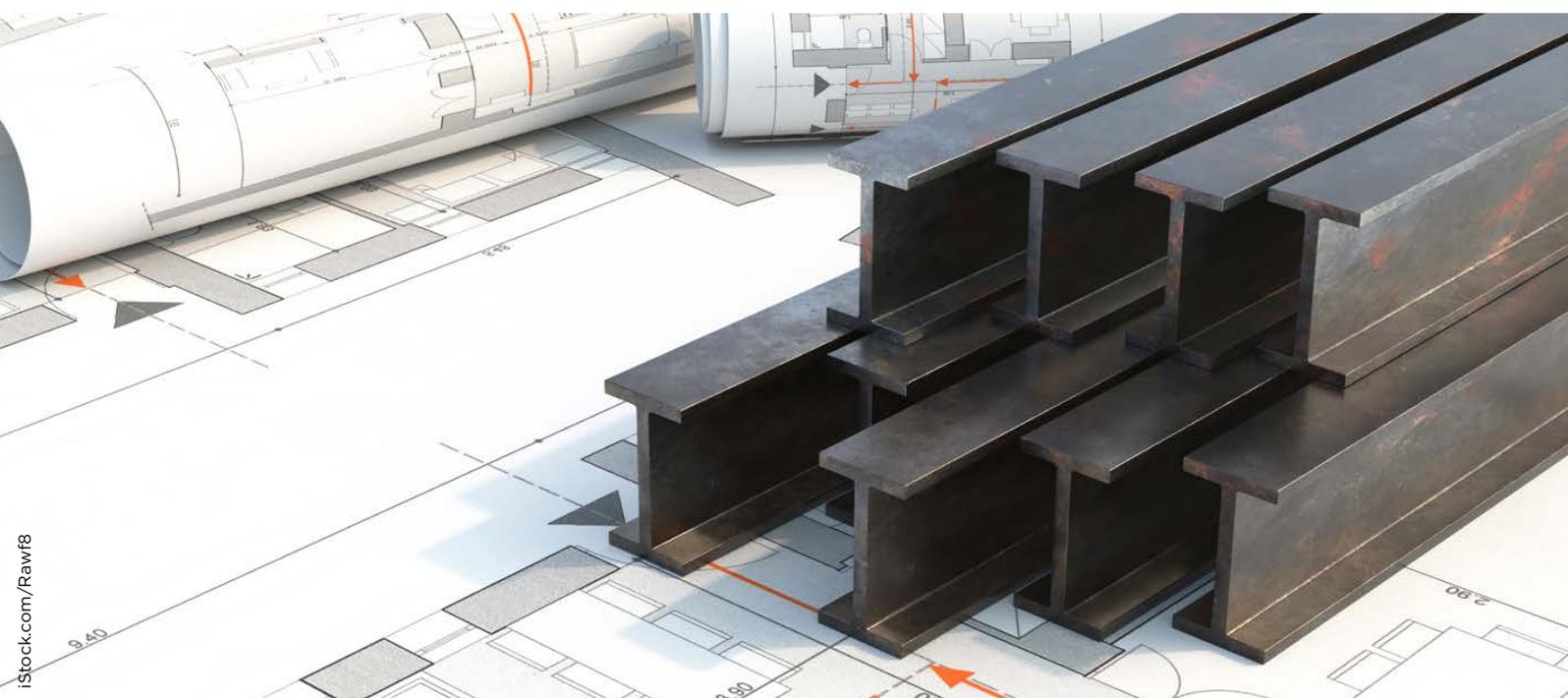
- Are not outcome-based
- Are not applied transparently
- Are inconsistent or subjective
- Are used primarily to penalise suppliers rather than reward them
- Are not used as a basis to award further work
- Are not relevant to the client's required or desired outcomes
- Are not used for feedback to suppliers
- Are not used to drive continuous improvement.

Gold Standard framework contracts state how performance measurement against a Project Outcome Profile recognises achievement of required and desired outcomes, including who evaluates the suppliers' performance against outcome-based specifications, how feedback is shared in order to drive continuous improvement

and how performance measurement is used to reward and incentivise excellence. Outcomes should be objectively measurable, and mutual trust between the framework provider, clients, manager and suppliers can be damaged where measurement is conducted privately or subjectively.

The Connect Plus Trial Project highways framework reports that it established a *'Balanced Scorecard'* process which *'enables Connect Plus to understand and measure progress towards its declared objectives of:*

- *Creating and maintaining a group of directors and facilitators empowered with the skills and behaviours to support and lead the cultural change and role model collaboration*
- *Delivery of a whole life approach*
- *Minimising the impact of maintenance works*
- *Maintaining project facilities*
- *Enhancing knowledge of project facilities*
- *Respect for the environment*
- *Reduced risk'.*



Recommendation 14: Incentivise innovative solutions by creating specifications for frameworks and call-offs that focus on required client outcomes

To identify and incentivise improved project outcomes through a mutually beneficial approach to sharing ideas and innovative solutions, this review recommends that framework providers, clients and managers use specifications that focus on required client outcomes, that they include a whole life carbon assessment which minimises GHG emissions, that they use a 'Project Outcome Profile' linking performance criteria to supplier incentives, and that they clarify which intellectual property rights are relevant to the needs of clients and suppliers.

Specific actions include:

Framework strategy

- Consider:
 - how the framework can deliver client outcomes using outcome-based specifications
 - how the framework can use a Project Outcome Profile to set clear programme and project outcomes that align with government strategic priorities
 - what IP rights the client or clients need and what IP rights are important to supplier business models
 - how to develop a whole life carbon assessment with the wider supply chain, reflecting ways of minimising GHG emissions across the life of the assets to be procured through the framework.

Framework procurement

- Use specifications that focus on client outcomes rather than programme or project scope.
- State how IP might arise from the framework and how IP will be managed through the life of the framework.
- Evaluate supplier solutions accompanied by whole life carbon assessments and proposals for minimising GHG emissions across the life of the assets procured through the framework.
- Make clear the criteria for performance measurement, how they will be applied and how they will affect the award of future work and other supplier incentives.

Framework contract

- State:
 - clear IP rights and responsibilities which reflect what IP the client or clients need and what IP rights are important to supplier business models
 - a mutually beneficial, open and collaborative approach for sharing ideas and innovative solutions
 - the criteria for performance measurement, how they will be applied and how they will affect the award of future work and other supplier incentives.

15. Delivery model assessments for frameworks and framework projects

The procurement of a framework, and of projects within the scope of that framework, should be based on strategies that consider the best means to deliver the required and desired outcomes of the relevant clients or prospective clients. When formulating these strategies, framework providers and clients should use delivery model assessments as *'an analytical evidence-based approach to reach a recommendation on how a contracting authority should structure the delivery of a project or programme'* (p.32).

The Department for Education reports that *'Recently there has been a move towards a wider consideration of 'value' beyond financial capital, but also including Natural, Social, Human, Environmental, Manufactured capitals throughout the whole lifecycle of the asset. The DfE Capital Commercial are part of the CIH (Construction Innovation Hub) Client Advisory Group for the development of CIH Value Toolkit. The Value Toolkit is being developed to enable an approach that targets value and a whole-life approach across the full investment cycle, rather than a narrower focus on controlling cost and risk at capital stage. It is believed that if the commissioning client is better able to understand, communicate and incentivise its own value drivers to its supply chain, then the 'market' will become better able to shape its processes and outputs better to fulfil those value drivers.'*

part of the same framework, and framework managers should be skilled in providing the guidance that clients need when assessing the best delivery model for each project. These skills should enable a framework manager and client to work together, taking into account the relevant value profile, strategic risks and other client factors and market factors.

The Construction Playbook requires that contracting authorities *'follow an evidence-based process to decide the most appropriate delivery model and structure for a specific project or programme'*, one that *'enables clients and industry to work together to deliver the best possible outcomes.'* (p.12). It states that the *'strategic approach to the delivery model'* should then be reflected in *'our commercial approach - the way we procure, contractualise and manage works'* (p.32).

The Construction Innovation Hub *'Value Toolkit'* was launched in April 2021 to provide guidance on the assessment of alternative delivery models corresponding to those summarised in the Construction Playbook. *The assessment of delivery models is an early strategic decision for framework providers and clients, and the different options need to be considered alongside the desired client outcomes. It is likely that different delivery models will be adopted by different clients on different projects forming*

Recommendation 15: Use delivery model assessments to inform and support framework strategies, procurement, contracting, management and call-off

To identify the best delivery model for each prospective framework project or programme of work, this review recommends that framework providers and clients include in their framework strategies an evidence-based delivery model assessment, that they reflect the chosen delivery model or models in their framework procurement, call-off and management systems, and that framework managers provide guidance to clients on how to choose the most appropriate delivery model when calling off each project.

Specific actions include:

Framework strategy

- Undertake an analytical, evidence-based delivery model assessment in order to:
 - identify the required and desired outcomes for the framework and framework clients
 - establish the most appropriate model or models to achieve those outcomes
 - decide how the procurement of the framework and of the relevant framework projects and programmes of work will enable the framework provider, clients, manager and suppliers to work together to deliver the best possible outcomes.
- Consider and establish the objectives, success measures and targets of the clients and framework provider, and appropriate incentives for performance by the prospective suppliers of their framework level and project level commitments.

Framework procurement

- Reflect the chosen delivery model or models in:
 - the procurement process for the framework and the call-off process for the relevant framework projects and programmes of work
 - the relationships, structure, processes and provisions created by the framework contract and by the contracts governing the relevant framework projects and programmes of work
 - the systems governing management of the framework contract and of the relevant framework projects and programmes of work.
- State the objectives, success measures, targets and incentives of the clients and framework provider, and invite prospective suppliers:
 - to submit proposals for achieving these objectives, success measures and targets
 - to state how these fit with their own objectives, success measures and targets.

Framework contract

- State a system for the framework manager to provide guidance to clients when assessing the best delivery model for each framework project.

16. Framework benchmarking and Should Cost Models

The Construction Playbook requires that contracting authorities *'analyse information from past projects and programmes'* in order to provide *'decision-makers with key insights and data to make more informed and intelligent investment decisions'* and to *'better understand whole life costs and value'* (p.11).

The January 2021 Infrastructure and Projects Authority Mandate includes a commitment to *'create a Benchmarking Hub and make benchmarking data available on key assets to underpin and challenge project investment cases.'* Analysis of information from past projects and programmes should inform the framework strategy and the budgeting through which framework providers, clients and suppliers establish:

- The likely scale of the framework programme and of the pipeline or pipelines of work planned or committed by framework clients
- The likely scale of the resources that the framework provider, clients, manager and suppliers will commit to framework activities such as value improvement and risk management.

The Playbook requires that *'Projects and programmes should undertake benchmarking of key project deliverables including cost, schedule, GHG emissions and agreed outcomes at each stage of business case development'*, and that clients should create a *'Should Cost Model'* that provides *'a forecast of what a project or programme 'should' cost over its whole life, including the build phase and the expected design life'* (p.36).

Using a Should Cost Model

Designing by reference to a *'Should Cost Model'* is an essential cost discipline when developing designs and other proposals for a framework project or programme of work. In order to create and maintain effective cost controls throughout the procurement and delivery of framework projects, the framework provider, clients, manager and suppliers should build into their framework project processes a system

for regular reconciliation of designs and other proposals with the whole life Should Cost Model for each project or programme of work.

Highways England report that their framework *'Delivery Integration Partners'* contract for *'single point design'* responsibility against a targeted *Outturn Budget* that includes all scheme capital costs with 100% pain/gain opportunities and risks. *Gain release focuses on customer information and value generation. Pain uses customer-focused information to mitigate severity by continuing achievement even when financially the scheme is overspending.*

50% of gain share is released against a value generation model based on margin gains from design and methodology decisions based on a pre-determined investment baseline. This includes value for money improvements in economic growth generation, social value and community benefit emanating from the scheme.'

Framework project award systems can describe how each framework client creates a Should Cost Model, and can require prospective suppliers to state:

- Their fees, profit and overheads by reference to the Should Cost Model
- Evidence of their ability to deliver the project or programme of work within the Should Cost Model
- Their proposals for achieving improved value within the Should Cost Model
- Their proposals for using ESI to seek efficiency savings against the Should Cost Model.

A Gold Standard framework contract states how a Should Cost Model is developed in accordance with the ESI processes of each framework project in order to create a

more detailed cost plan leading to agreed project costs and prices. It should state the gateways for ESI and for the redesigns or other activities that may be necessary to ensure that supplier and supply chain costs remain within the Should Cost Model.

Concerns may arise that a selected framework supplier could allow the outcomes from ESI to give rise to costs that exceed the client's Should Cost Model. Gold Standard framework contract systems should therefore include:

- Close monitoring by the framework manager or project manager of the tier 1 supplier's ESI subcontract tendering and appointment procedures, so as to ensure that these procedures do not impose excessive demands or otherwise inflate supply chain prices

- An ESI process that allows time for review of the tier 1 supplier's supply chain prices, so as to ensure that these remain within the Should Cost Model as a precondition to authority for the construction phase of the framework project to proceed
- Transparency at each stage whereby the framework manager or project manager receives all ESI documentation prepared and issued by the tier 1 supplier, receives all tender returns and proposals submitted by prospective supply chain members and is invited to attend all meetings with prospective supply chain members.



Recommendation 16: Assess and control the costs of framework deliverables through the use of evidence-based benchmarks and whole life Should Cost Models

To assess framework deliverables in respect of cost, schedule, GHG emissions and other expected outcomes, and in order to maintain cost controls that support call-off, ESI, performance measurement, value improvement and other framework processes, this review recommends that framework providers, clients and managers use benchmarks based on information from past projects and programmes and that they create 'Should Cost Models' forecasting what each framework project or programme should cost over its whole life.

Specific actions include:

Framework strategy

- Analyse information from past projects and programmes so as to make more informed and intelligent framework investment decisions and so as to better understand whole life costs and value.
- Undertake benchmarking of key framework deliverables including cost, schedule, GHG emissions and agreed outcomes at each stage of framework business case development.

Framework procurement

- Use benchmarking and Should Cost Models to forecast the likely scale of the framework programme and the resources required for framework activities.

Framework contract

- State:
 - the processes that create a Should Cost Model, forecasting what each framework project or programme should cost over its whole life including the build phase and the expected design life
 - how each Should Cost Model will be used to maintain controls over supplier and supply chain costs throughout call-off, ESI and other project processes
 - the system for benchmarking key deliverables in respect of framework projects including cost, schedule, GHG emissions and agreed outcomes
 - how the benchmarking system will affect the costing of subsequent call-offs.

17. Effective framework contracting

The Construction Playbook describes construction frameworks as integral to effective contracting and states that:

- *'One of the most effective ways to deliver outcomes is to create contracting environments that promote collaboration and reduce waste'*
- *'Contracts should create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives' (p.40).*

To start with the basics, an effective framework contract needs value-based systems for awarding project contracts and measuring supplier performance. The Playbook recognises the need for *'transparent performance measurement and work allocation procedures' (p.42)*, and the performance measurement system in a Gold Standard framework contract should take into account the Playbook statements that:

- *'The outcomes agreed through the Project Scorecard should also be used to design the set of key performance indicators (KPIs) for the project or programme' (p.38)*
- *'It is important that KPIs are relevant and proportionate to the size and complexity of the project or programme' (p.40)*
- *'With the right KPIs in place, it should follow that contracts are designed to incentivise delivery of the things that matter, minimise perverse or unintended incentives and promote good relationships' (p.40).*

However, there is little to gain from transparent performance measurement if the framework provider, clients, manager and suppliers have not agreed the means by which the framework will be managed so as to drive, or at least facilitate, the required results. Therefore, the features of a Gold Standard framework contract also include *'principles that align objectives, success measures, targets and incentives so as to enable joint work on improving value and reducing risk' (p.42)*. As also considered in Section 4, many current framework contracts do not support compliance with Construction Playbook requirements because they do not provide:

- A collaborative structure through which framework providers, clients, managers and suppliers align their commercial objectives, success measures, targets and incentives
- Collaborative machinery through which framework providers, clients, managers and suppliers undertake joint work on improving value and reducing risks.

At the point when a framework contract is awarded, the framework provider, clients, manager and suppliers do not know everything they need to know about the other framework participants, about the projects to be awarded, about the teams who will deliver each project or about the framework activities that will improve value and reduce risks. A Gold Standard framework alliance contract therefore also needs to embody the Construction Playbook requirement for contracting authorities to *'ensure that contracts are structured to support an exchange of data, drive collaboration, improve value and manage risk'*, and to *'set clear expectations for continuous improvement and be consistent with the principles in this Playbook' (p.12)*.

Frameworks and enterprise contracting

A Gold Standard framework alliance contract describes the incremental processes by which the framework provider, clients, manager and suppliers work together, in parallel with and separate from the award of project contracts and the performance of their project contract obligations, to build up the additional information they need for collaborative value improvement and risk management. These incremental contractual processes are known as *'enterprise contracting'* and they enable contracting parties to obtain and approve new information while, wherever possible, avoiding negotiation.

A Gold Standard framework alliance contract provides enterprise contracting systems and timescales for the framework provider, clients, manager and suppliers to undertake shared activities that include:

- Integration of digital information management systems

- Strategic ESI through Supply Chain Collaboration
- Joint risk management
- Collaborative decision-making.

Enterprise contracting systems and timescales are set out in a multi-party framework alliance contract, as described in Section 4 and **Annex 4**, where all parties are aware of each other's roles and know that their respective contract terms are consistent. A framework alliance contract can motivate the mutual trust necessary for successful joint working.

A Gold Standard framework alliance contract is a toolkit, a working document through which to understand and integrate the needs and expectations of clients and suppliers. It provides the foundations for trust based on the agreed activities that comprise strategic collaboration, which in turn help to create and sustain a collaborative contractual environment for framework projects and programmes of work.

A combination of Gold Standard framework alliance contracts can create a contractual 'ecosystem' through which framework providers, clients, managers, suppliers and supply chain members operate:

- Interconnected and consistent framework contracts governing strategic long-term relationships with a full range of tier 1 suppliers
- Interfaces between call-off contracts under each framework
- Framework sub-alliances awarded by clients for the delivery of framework programmes of work
- Supply chain framework alliances between tier 1 suppliers and tier 2 and 3 supply chain members at framework, project and programme level
- Integrated information management contracts between clients, managers, suppliers and supply chain members at framework, project and programme level.

Crown Commercial Service reports how their use of 'Strategic sub-alliancing formalises an agreement at call-off stage for all parties to the sub -alliance to work towards the same objectives, targets, success measures and incentives with the additional client, through a collaborative working and delivery approach. Strategic delivery models will provide sub- alliance agreements as follows:

- Programme of Works (Single Client, Multiple Contracts, one or more Contractors)
- Supply Chain (incorporating Tier 2 and lower suppliers)
- Multi - Client Purchasing Consortium (Multiple Clients, Multiple Contracts, one or more Contractors)
- BIM Alliance
- Project Whole Life Approach (for example, an alliance of Client, Contractor, Designers, FM Providers)'.

As regards the project contracts that are awarded to suppliers and supply chain members, a Gold Standard framework alliance contract needs to be suitable for use in conjunction with:

- Any 'Standard construction contracts with appropriate options' chosen from the JCT 2016, NEC3, NEC4 and PPC2000/TAC-1 suites
- Any bespoke call-off contract 'where the project or programme justifies a bespoke approach' (p.43).

Recommendation 17: Integrate the mutual commitments of framework providers, clients, managers and suppliers through the terms of a Gold Standard framework alliance contract

To integrate the mutual commitments of framework providers, clients, managers and suppliers, this review recommends that effective framework contracts incorporate:

- An outcome-based strategic brief that drives economic, social and environmental value with strategic supplier proposals for delivering that brief
- Multi-party relationships that align objectives, success measures, targets and incentives with commitments to joint work on improving value and reducing risk
- Enterprise contract systems and a timetable of strategic actions that improve information, integration, value and outcomes, for example using MMC, digital technologies, ESI and Supply Chain Collaboration
- Transparent costing, call-off, performance measurement and incentives that provide a fair return for suppliers and drive value rather than a race to the bottom
- Framework management systems that support collaboration and dispute avoidance.

Further details are set out in Annex 4 and specific actions include:

Framework strategy

- Consider and establish:
 - how the proposed framework contract will implement Construction Playbook policies in ways that are consistent with the components of the Gold Standard
 - how the framework contract can use alliancing arrangements to align commercial objectives, improve intended outcomes and drive greater value for money

- how the framework contract and project contracts can promote collaboration and reduce waste, and how they can create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives
- the benefits of using a standard form framework alliance contract and standard form project contracts with appropriate options
- whether the proposed framework success measures and targets are relevant and proportionate to the size and complexity of the framework programme and projects
- how Project Outcome Profiles can be used to set and measure the expected outcomes from framework projects.

Framework procurement

- Evaluate supplier proposals in response to the clients' commitments to:
 - a framework contract designed to implement Construction Playbook policies in ways that are consistent with the components of the Gold Standard
 - alliancing arrangements designed to align commercial objectives, improve intended outcomes and drive greater value for money
 - a framework contract and project contracts that promote collaboration and reduce waste, and that create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives
 - a standard form framework alliance contract and standard form project contracts with appropriate options, or an explanation of why the framework programme or projects justify a bespoke approach
 - framework success measures and targets that are relevant and proportionate to the size and complexity of the framework programme and framework projects
 - the use of Project Outcome Profiles to set and measure expected outcomes from framework projects.

Framework contract

- State:
 - how the framework contract structure and provisions implement Construction Playbook policies in ways that are consistent with the components of the Gold Standard
 - how the framework contract structure and provisions align commercial objectives, improve intended outcomes and drive greater value for money
 - how the framework contract structure and provisions create relationships, roles and processes that promote collaboration and reduce waste, and how they create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives
 - success measures and targets that are relevant and proportionate to the size and complexity of the framework programme and framework projects
 - how Project Outcome Profiles will set and measure expected outcomes from framework projects.



18. Framework risk management and allocation

The Construction Playbook recognises that public sector clients have a tendency to transfer excessive risk to suppliers, and that *'Inappropriate allocation of risk remains one of the main concerns of suppliers looking to do business with government'* (p.48). This view is echoed in the comments of many review participants, 80% of whom consider that frameworks need a more active approach to risk management.

The Playbook states that the treatment of risk needs to make government *'a more attractive client, deliver better value for money and incentivise suppliers to focus on delivering agreed contractual outcomes'* (p.12), and that *'Proposals for risk allocation will be subject to consideration and scrutiny to ensure they have been informed by genuine and meaningful market engagement'* (p.12).

Risk allocation is dealt with clearly and equitably in the JCT 2016, NEC3, NEC4 and PPC2000/TAC-1 suites of standard form project contracts, and there is rarely justification for changing this delicate balance. Levels of supplier liability and supporting insurance should be proportionate to the size and complexity of particular frameworks and framework projects, and review participants comment that suppliers may decide not to bid for frameworks or framework projects where clients require excessive contractual protections.

The Playbook states that *'The key is to have joined up, transparent mechanisms to identify and handle foreseen and unforeseen risks and opportunities when they arise'* (p.47). Frameworks enable risk management mechanisms to be established and implemented at a strategic level and also during the planning and design stages of framework projects, when there are unique opportunities to examine how risks can be eliminated, reduced or mitigated.

80% of review participants say frameworks need more active risk management.

Frameworks provide the strategic overview and long-term relationships that enable

risk management actions to be agreed and implemented by reference to a shared risk register. A Gold Standard framework implements the Playbook requirements that:

- *'Collaborative risk management throughout the commercial lifecycle is essential to support successful project and portfolio delivery and sustainable outcomes'* (p.47)
- *'A proactive approach to identifying and managing risks and opportunities using contracts effectively can drive improvement, innovation and value throughout the commercial lifecycle'* (p.47).
- *'Risk allocation should be supported by good risk management aligned to the project and programme strategic outcomes set out in the Project Scorecard'* (p.48).

Framework joint risk management

A Gold Standard framework alliance contract describes the joint risk management processes through which the framework provider, clients, manager and suppliers exchange information in relation to the risks they face and decide what actions to take. Joint risk management is crucial to effective collaboration, and Gold Standard framework machinery for active risk management includes:

- A contractual system for the efficient sharing of risk information and agreement of risk management actions, enabling *'early risk work focused on achieving project strategic objectives and alignment'* (p.49)
- The use of ESI for *'exploring opportunities to develop solutions that help mitigate risk through joint working before construction commences'* (p.48)
- A contractual structure that connects the framework provider, clients, manager and suppliers through systems for *'sharing of appropriate risk registers and transparent communication on risk allocation with prospective suppliers and the supply chain'* (p.49)
- A multi-party framework level *'joint register with contracted suppliers which is aligned to project and wider outcomes'* (p.49), and which is managed and updated with agreed risk management actions and timescales.

Construction projects and programmes involve many risks that cannot be fully assessed and dealt with in advance. These can range from unpredictable project site conditions to supplier insolvency, and the Covid-19 pandemic has shown how clients and suppliers can respond rapidly to unforeseeable events using collaborative framework relationships.

NHS Procure reports that *'During the Covid-19 pandemic NHS Procure 22 delivered several of the Nightingale Hospitals using a collaborative approach across its Principal Supply Chain Partners with a central Project Management Office delivering multi-site solutions to severely accelerated timescales'*.

The Playbook emphasises the need to *'apply a proactive risk management approach with suppliers incorporating early warning and joint decision-making'* (p.50). Gold Standard framework machinery for proactive risk management includes:

- Interconnected contractual early warning systems at framework level and project level
- A contractual Core Group or the equivalent as described in Section 23, comprising individuals representing the framework provider, clients, manager and suppliers who are required to manage framework risks collectively, who receive early warnings and who seek to agree risk mitigation actions.

NHS Shared Business Services report that:

'At an overarching framework level, we chose to utilise the FAC-1 form of contract due to the prominence it gives to having a framework level Risk Register and also its core focus on collaboration'

'The collaborative nature of the FAC-1 helps us as it contains mechanisms within it that lean heavily towards a decision-making process that is embarked upon by all parties working together towards a common unified goal'.

A framework early warning system requires notification of risk issues and exploration of the reasons behind them. If early warning of an emerging problem is issued as soon as the problem arises, this enables timely decisions and actions to be taken and helps disputes to be avoided. Early warning combined with a framework Core Group or equivalent decision-making forum:

- Requires the framework provider, clients, manager and suppliers to review risk issues quickly and openly
- Encourages them to disclose important information and to agree mitigating actions
- Supports agreed resolution of potential conflicts and implements the Playbook commitment to avoidance of disputes (*the 'conflict avoidance pledge' at p.44*).

The SCMG Trial Project framework alliance reports that it used its core group to resolve *'potential disputes with the benefit of full cost and time information plus the motive to retain long-term relationships'* (**Annex 3 case study 8**).

Recommendation 18: Allocate risks based on framework market engagement and use joint framework systems for early risk mitigation and efficient responses to risk events

To address industry concerns regarding costly and unsustainable risk transfer, this review recommends that framework providers, clients and managers implement risk allocation informed by market engagement, that they create and update a shared contractual risk register with suppliers to jointly manage risks at framework level and help eliminate, reduce and mitigate potential risks on framework projects, and that they respond efficiently to framework risk events through a framework early warning system and joint decision-making group.

Framework contract

- State:
 - a shared system for the framework provider, clients, manager and suppliers, at framework level, to develop solutions that help eliminate, reduce and mitigate risks
 - use of ESI, through joint working before construction commences on each framework project, to develop solutions that help eliminate, reduce and mitigate risks and to ensure that risk allocation is appropriate
 - a proactive risk management approach for the framework provider, clients, manager and suppliers, at framework level and at project level, incorporating early warning and joint decision-making
 - alignment of risk management systems to the strategic outcomes set out in the Project Outcome Profile for the framework programme and each framework project.

Specific actions include:

Framework strategy

- Consider and scrutinise proposals for risk management and risk allocation to ensure they have been informed by genuine and meaningful market engagement.

Framework procurement

- Evaluate supplier proposals to deliver better value for money and to focus on delivering agreed contractual outcomes in response to client commitments to:
 - collaborative risk management throughout the commercial lifecycle that supports successful delivery and sustainable outcomes from the framework programme and each framework project
 - a proactive approach to identifying and managing risks and opportunities, using the framework contract and project contracts effectively to drive improvement, innovation and value throughout the commercial lifecycle.

19. Framework mechanisms for payment and pricing

The Construction Playbook says that the contractual *'payment mechanism and pricing approach including limits of liability should reflect the level of risk and uncertainty in the scope of requirement and will be subject to greater scrutiny'* (p.51). The strategy, procurement process and contract for any public sector construction framework should recognise these requirements and ensure that they are adopted when calling off and delivering framework projects and programmes of work.

In order to ensure a fair return for suppliers, framework prices should identify fees, profit and overheads separately from other costs. This opens the door to framework systems through which clients and suppliers collaborate in examining other costs and in seeking efficiency savings as an aspect of improved value. However, the challenges identified by review participants include the tendency for the evaluation of fees, profit and overheads, at framework level and at call-off, to drive a race to the bottom in quoting the lowest fees, profit and overheads.

This is often combined with non-collaborative practices by which tier 1 suppliers recover additional profit from tier 2 and 3 supply chain members through means such as hidden discounts or supply chain rebates. Participants suggest that more effective evaluation practices should place greater emphasis on understanding how innovations, efficiencies and other benefits are delivered through the quoted fees, profit and overheads of prospective suppliers rather than comparing only the amounts themselves.

Supplier profitability

The Playbook states: *'The fundamental principle is that contracts should be profitable. Fair returns and expectations need to be reasonable for suppliers to remain interested and for the market to be sustainable'* (p.49). Where a framework procurement stabilises and justifies fair supplier returns and expectations through the agreed levels of fees, profit and overheads, this aligns commercial interests and motivates the framework provider, clients, manager and suppliers to work together on value improvement activities.

All the frameworks reviewed provide for fees, profit and overheads to be quoted and agreed separately when the framework is procured. However, many of these amounts are expressed as percentages rather than lump sums, and often the amounts quoted at framework level are maximums that can be reduced in mini-competitions. These approaches give rise to two risks:

- Percentage fees, profit and overheads can rise in step with increased costs and therefore do not incentivise efficiency savings. To tackle this risk, it is preferable for fees, profit and overheads to be quoted as lump sums, or to be converted into lump sums at an early stage, so that they do not rise in step with increased costs and can more easily be linked to incentives based on achievement of agreed targets
- The discounting of maximum fees, profit and overheads in mini-competitions can perpetuate a race to the bottom. To tackle this risk, call-off processes and evaluation criteria should not encourage suppliers to quote the lowest fees, profit and overheads but should require them to demonstrate how they will earn these amounts through the delivery of required and desired client outcomes and through innovations, efficiencies and other benefits.

These principles of a Gold Standard can also be applied when assessing the levies charged by framework providers. In assessing a Gold Standard framework, clients and suppliers should focus on the quality and range of the services that framework providers and managers offer, as described in Section 6, and how these services will help clients and suppliers to deliver agreed outcomes, to improve value and to reduce risks by implementing Construction Playbook policies.

As regards the range of commercial cost models used for framework projects and programmes, the Construction Playbook recognises scope for flexibility in that *'Where the scope of a project is certain, fixed pricing may be appropriate and, where there is increased uncertainty in scope, a variable approach may be more suitable to achieve best value for money'* (p.50).

A collaborative approach to frameworks and framework projects is not dependant on adopting a particular cost model. Different approaches to pricing will be appropriate according to the nature of the framework projects, and these can include:

- The use of ESI to identify fixed costs for tier 2 and 3 supply chain works packages and to examine the scope for efficiency savings in each works package, using the 'Two Stage Open Book' model and leading to the build-up and agreement of fixed project prices that comprise the approved package costs and separately agreed supplier fees, profit and overheads (**Annex 3 case studies 2, 5, 6 and 8**)
- The combination of separately agreed supplier fees, profit and overheads with a schedule of rates for predictable and repetitive work types that is reviewed through ESI Supply Chain Collaboration in order to seek and agree efficiency savings in tier 2 and 3 supply chain costs (**Annex 3 case study 9**)
- The use of benchmarks to establish maximum costs and the combination of ESI with incentives for suppliers to achieve efficiency savings against those maximums, for example using the 'Cost Led Procurement' model (**Annex 3 case study 7**)
- The payment of actual supplier costs expended on a programme of numerous similar projects, with cost savings against benchmarks used as one of the measures that determine the allocation of additional projects among multiple suppliers (**Annex 3 case study 4**)
- The payment of alliance members according to the delivery of required outcomes across the whole programme, with incentives for delivering improvements against historic baseline performance (**Annex 3 case study 1**).

Network Rail reports that its framework alliances *'are based upon a target cost model with pain and gain share. There are Key Result Areas in the alliance agreement that affect how much pain and gain share the Alliance parties get. The Alliances all have 5% included in the Key Result Areas for cross Alliance collaboration to encourage sharing of lessons/best practice.*

'The Alliances are set up to deliver customer outcomes; these can be updated annually. The Alliance key objectives and focusses are on improved value and reduced risks; reduction of overruns; improved safety; stable unit rates tested via should costs; improved track quality; dedicated specialist teams formed to deliver projects at speed and get early contractor involvement; build-up of target cost to inform annual budgets providing out-turn certainty'.

In cases where the scope of a framework project is not certain enough for fixed pricing, many review participants use target prices and shared pain/ gain arrangements, mostly through the NEC3 or NEC4 Option C *'Target contract with activity schedule'*. This pricing mechanism is well-established and successful, but there are limits on what a pain/gain formula can achieve. Review participants report that this approach can have unintended consequences where tier 1 suppliers generate the gains they seek by demanding discounts from tier 2 and 3 supply chain members.

Incentive payments can also be linked to success measures that determine whether suppliers have achieved other agreed outcomes and objectives. Gold Standard targets for each success measure are objectively measurable and state the method of recording relevant data, the party responsible for measuring that data and the system for reporting to framework clients and suppliers.

Prompt payment of suppliers and supply chain members

The success of any framework cost model depends on prompt payment of suppliers under project call-off contracts and prompt payment of supply chain members under project sub-contracts. Prompt payment enables suppliers and supply chain members to concentrate their efforts on the best interests of the project or programme of work and reduces unproductive time spent in devising tactics for claims. **Framework providers and managers have a responsibility to monitor adherence to the Construction Playbook requirement that *'Contracting authorities and suppliers should always pay their supply chain promptly'* (p.50).**

Some of the frameworks reviewed support payment of supply chain members through the use of 'project bank accounts', and many include the prompt payment of supply chain members in their success measures. Some frameworks exclude retentions on the basis that frameworks provide a more effective motivator for defects rectification through the prospect of additional work. Early payment of supply chain members can also be a factor in calculating the efficiency savings that can accrue through Supply Chain Collaboration (**Annex 3 case study 9**).



Recommendation 19: Create transparent pricing mechanisms for frameworks and call-offs that maximise cost certainty and ensure prompt payment

In order to drive improved value and fair treatment, this review recommends that framework providers, clients and managers create payment and pricing mechanisms for framework projects and programmes of work that maximise cost certainty, that identify agreed fees, profit and overheads separately from other costs, that incentivise desired outcomes and that require clients and suppliers always to pay their supply chain promptly.

Framework contract

- Include payment and pricing mechanisms and incentives designed to:
 - motivate the desired behaviours and outcomes, including commitment by clients and suppliers always to pay their supply chain promptly
 - create fair returns and payment expectations
 - achieve best value for money through the framework and when calling-off framework projects.

Specific actions include:

Framework strategy

- Consider and scrutinise proposals for payment and pricing to ensure that they incentivise the desired behaviours and outcomes, including commitment by clients and suppliers always to pay their supply chain promptly.
- Consider and establish how the framework contract and project contracts will create fair returns and payment expectations that attract interest from suppliers and support a sustainable market.
- Consider and establish pricing mechanisms and incentives that will achieve best value for money when procuring the framework and when calling-off framework projects.

Framework procurement

- Evaluate supplier proposals in response to the clients' commitments to:
 - payment and pricing mechanisms designed to incentivise the desired behaviours and outcomes, including commitment by clients and suppliers always to pay their supply chain promptly
 - framework contract and project contracts designed to create fair returns and payment expectations
 - pricing mechanisms and incentives designed to achieve best value for money through the framework and when calling-off framework projects.

20. Economic and financial standing of framework suppliers

Construction frameworks can make major strides in stabilising supply and demand and in supporting industry profitability. However, supplier insolvencies that are attributable in part to current procurement practices, particularly lowest price bidding, continue to fuel client concerns that construction is a volatile sector. The Construction Playbook states the need for *'a minimum standard when assessing the risk of a supplier going out of business during the life of a contract'* in order to *'safeguard the delivery of public works projects'* (p.12). All review participants recognise the importance of this minimum standard.

Many industry review participants question the value of client and supplier resources being repeatedly devoted to pre-qualification through multiple, different selection questionnaires. They also note that the selection information provided by suppliers can quickly become out of date and they suggest that a central source of up-to-date data should be made available to clients and to framework providers. Participants welcome the Construction Playbook statements that the Government supports a *'Standard Selection Questionnaire (SQ)'* and that *'some standard information may be obtainable via the Supplier Registration Service'* (p.52).

Industry participants suggest that clients and framework providers should use a standardised approach to selection such as the *'BSI PAS91'* pre-qualification questionnaire or the *'Common*

Assessment Standard', so that suppliers do not have to answer new and different questions for each framework selection process. For example, the Common Assessment Standard enables suppliers to achieve certification once a year through an online portal by evidencing their compliance in 12 areas of potential risk: Health and Safety, Identity, Financial, Corporate and Professional Standing, Anti-Bribery and Corruption, Modern Slavery, Environmental, Quality Management, Equality, Corporate Social Responsibility, Information Security and Data Protection, and Building Information Modelling.

Industry review participants comment that client concerns regarding the economic and financial standing of prospective framework suppliers can lead to onerous requirements for minimum insurance levels, bonds and guarantees that are not always proportionate to the size, risk and complexity of the framework and framework projects. They note that this can exclude SMEs from framework opportunities, and they request a tiered system that is more flexible and not overly risk averse.

The Construction Playbook proposes that a *'Contract Tiering Tool should be used to determine the stringency to which bidders are tested, with higher thresholds for more critical contracts. Assessment should be proportionate to the size, risk and complexity of the contract, flexible, not overly risk averse, and clearly outlined in the SQ'* (p.54).



Recommendation 20: Reduce procurement costs by consistent and proportionate assessment of economic and financial standing using 'PAS91' or the 'Common Assessment Standard'

In response to industry proposals that more consistent and proportionate procedures for assessing the economic and financial standing of framework suppliers will reduce waste and duplication, creating efficiency savings for clients and industry, this review recommends that all framework providers and clients use 'PAS91' or the 'Common Assessment Standard', with levels of stringency established by a 'Contract Tiering' tool that applies higher thresholds to more critical projects.

Specific actions include:

Framework strategy

- Consider and establish:
 - an approach to assessing the economic and financial standing of prospective framework suppliers that is proportionate to the size, risk and complexity of the framework programme and the framework projects, and that is flexible and not overly risk averse
 - what stringency is recommended by the Contract Tiering tool, with higher thresholds for more critical projects
 - relevant standard information that can be obtained via the Supplier Registration Service.

Framework procurement

- Use PAS91, the Common Assessment Standard or another recommended standard selection questionnaire.
- Reflect the stringency recommended by the Contract Tiering tool, with higher thresholds for more critical projects.

21. Evaluating frameworks and call-offs

The Construction Playbook requires that the evaluation of supplier bids must be based on a client's *'clear understanding of value, their desired/required outcomes and how these align to government's wider priorities, including net zero GHG emissions by 2050'* (p.56). It recognises that framework providers and clients will need to adopt new evaluation practices in order to achieve this clear understanding and requires that:

- *'Value-based procurement should be adopted at an organisational level and driven through a portfolio approach to projects and programmes'* (p.56)
- *'Evaluation - and evaluation criteria- should focus on value over cost'* (p.56)
- *'The quality evaluation criteria need to be sufficiently well developed and detailed to allow for the differentiation in scores between competing bids, to avoid too close or identical scores from bidders'* (p.57).

A balanced approach to evaluating prospective suppliers for frameworks and framework call-offs lies at the heart of Gold Standard framework strategies, procurement processes and contracts. It enables framework providers and clients to test supplier proposals against required and expected outcomes at framework level and at project level.

Framework providers and clients should use consistent, proportionate and relevant processes for framework evaluation and call-off evaluation. They should link these to framework objectives and success measures, to Project Outcome Profiles and to agreed criteria for performance measurement.

Balanced evaluation criteria

Review participants recognise the efforts of framework providers to create a balance of cost and quality evaluation criteria. However, they express concerns that balanced evaluation can become skewed, and resources can be wasted, where:

- Quality differentials are marginal and lowest cost becomes the key criterion
- Quality criteria are subjective and not easily understood

- Qualitative proposals are requested which are not relevant to the client's needs
- Qualitative proposals are not implemented or kept under review for later adoption.

A persistent supplier concern is that financial criteria inevitably dominate an evaluation procedure and tempt bidders to undercut each other's prices regardless of other criteria. Overcoming this problem requires framework providers and clients to make clear their expected framework outcomes, their priorities and their definition of value in ways that bidders can respond to in their qualitative bid proposals. It requires sufficient weighting to be given to qualitative criteria and a deeper analysis of ways in which to avoid unrealistic responses to cost criteria.

The Housing Forum report *'Stopping Building Failures'* recognises how building safety is jeopardised by the lowest price 'race to the bottom', and considered evaluation models that could reduce the risks of unrealistic pricing:

- *'The 'optimum pricing model' in which the contracting authority sets out the optimum price which it considers appropriate for the contract, based on market research. The tenderer is then incentivised to make the effort to reach the optimum price without undercutting it. The tenderer closest to the optimum price receives the highest mark. This should protect against abnormally low bids but arguably curbs the potential for truly innovative approaches'*
- *'The 'fixed price model' where the contracting authority fixes the price for the contract and then undertakes a value for money evaluation on the non-price element of the contract's delivery, such as the quality and experience of the team, choice of materials, health and safety standards, liaison with residents, or environmental and social aspects of the project. By fixing the price and considering alternative value for money proposals, the contracting authority will again be neutralising the effect of any abnormally low bids on the overall evaluation.'*

Consistent call-off evaluation

Review participants express concerns that a value-based approach to procurement at framework level is often not followed through in the evaluation approach used when calling off specific projects or programmes of work. They comment that framework providers, clients and managers should avoid the inefficiencies caused by:

- Lowest price evaluation creeping back in at call-off
- A preference for single stage call-off pricing compared to deeper cost analysis through ESI call-offs
- Expensive delays in the call-off process
- Call-off questions that are disproportionate to the value and complexity of the project
- Call-off questions that repeat questions used in framework evaluation
- Expensive call-off design competitions that make qualitative proposals unaffordable.

Successful call-off evaluation also depends on the quality of the framework call-off brief. A Gold Standard brief sets out the maximum information as to client's required outcomes and all other relevant factors, including client goals and objectives, the project's Should Cost Model, relevant time and regulatory constraints and lessons learned from other framework projects.

Framework providers and managers should invest in Gold Standard framework call-off processes and supporting guidance that help clients to:

- Express the outcomes they are seeking to gain from the framework projects
- Use qualitative questions that are proportionate and relevant to these outcomes
- Enable prospective suppliers to optimise their qualitative proposals.

The Environment Agency Rye Harbour Trial Project reports that the framework team used a *'three-stage selection process that enables the EA to comply with all relevant procurement legislation and enables early contractor involvement'*, and that *'One of the biggest benefits of Cost Led Procurement in this respect was the ability for the Environment Agency to streamline the upfront processes involved in the procurement of this project, enabling them to move forward very quickly'* (**Annex 3 case study 7**).

The Property Services Cluster Trial Project framework reports that *'the constructor partners, Osborne, Miller and Mansell (now Balfour Beatty) were jointly appointed from the... framework through a mini-competition for all of the work included in the Tranche. This process took seven weeks, allowing for full and early contractor involvement.'* (**Annex 3 case study 6**).

The SCMG Trial Project framework alliance reports *'Reduced risks, cost savings and time savings through accelerated constructor/supply chain briefing process'*, and *'Time savings, such as through quicker build-up of prices leading to earlier start on site and reduced client/consultant time/costs.'* (**Annex 3 case study 8**).

In order to take full advantage of qualitative proposals, including social value proposals and net zero GHG emissions proposals, a Gold Standard framework procurement process and framework contract set out the systems by which these proposals will be:

- Accepted and implemented at framework level and project level or
- Reserved for later review and adoption, at the option of the framework provider and framework clients or
- Shared for wider review and adoption by other framework suppliers.

LHC reports that *'Within recent frameworks we have introduced the LHC Lifetime Values which comprise a set of social, community and environmental measures. In designing the specification and evaluation criteria for the procurement of our frameworks we consider these Lifetime Values, and we ensure that our assessment of bidders' responses support the achievement of these values'*.

In order to implement the Playbook commitment to collaborative contractual relationships, the evaluation criteria for frameworks and framework call-off can include assessment of:

- Collaborative profile and experience
- Cultural compatibility
- Client relationship management
- Supply chain relationship management
- Stakeholder management.

Gold Standard evaluation of collaborative commitments is detailed and measurable. It looks closely at a prospective supplier's objectives, requirements, expectations and risk management approach. Evaluation of prospective suppliers can also include behavioural analysis of individuals although, in the absence of contractual constraints, this cannot prevent those individuals leaving an organisation after its appointment.



Recommendation 21: Evaluate proposals for frameworks and call-offs proportionately and consistently using balanced criteria that include quality, social value and net zero GHG emissions

In response to industry proposals that more proportionate and consistent evaluation systems for framework procurement and call-off will reduce waste and duplication, creating efficiency savings for clients and industry, this review recommends that framework providers, clients and managers establish and apply balanced evaluation criteria that examine all relevant aspects of value, that enable differentiation between qualitative bids, that reflect expected client outcomes and that incentivise improved value objectives aligned to government priorities including social value and net zero GHG emissions by 2050.

Specific actions include:

Framework strategy

- Consider and establish:
 - a clear understanding of value linked to desired and required outcomes
 - how these outcomes align to the government's wider priorities, including net zero GHG emissions by 2050
 - how procurement of the framework programme and framework projects can drive value-based procurement
 - an evaluation system and criteria that focus on value over cost
 - a system and criteria that include evaluation of social value where the requirements are related and proportionate to the subject-matter of the contract
 - quality criteria that are sufficiently well developed and detailed to allow for the differentiation in scores between competing bids, so as to avoid close or identical quality scores that result in cost-based evaluation.

- Consider and establish work allocation procedures that reflect the objectives, success measures and targets of the clients and framework provider, and that incentivise performance by the prospective suppliers of their framework level and project level commitments.

Framework procurement

- Evaluate supplier proposals in response to:
 - a statement of value linked to desired and required outcomes and linked to the Government's wider priorities, including net zero GHG emissions by 2050
 - a statement of how the framework programme and framework projects will drive value-based procurement
 - an evaluation system and criteria that focus on value over cost
 - evaluation of social value where the requirements are related and proportionate to the subject-matter of the contract
 - quality criteria that are sufficiently well developed and detailed to allow for the differentiation in scores between competing bids.
- State the links between work allocation procedures and performance incentives.

Framework contract

- State the systems by which qualitative proposals, including social value proposals and net zero GHG emissions proposals, will be:
 - accepted and implemented at framework level and project level
 - reserved for later review and adoption, at the option of the framework provider and one or more framework clients
 - confidential to one framework supplier
 - shared for wider review and adoption by other framework suppliers.
- State a call-off evaluation system that is consistent with the framework evaluation system.
- State the links between work allocation procedures and performance incentives.

22. Frameworks and resolution planning

Concerns are expressed by client review participants as to the risk of supplier insolvency which include questions as to how frameworks can help to manage this risk. The Construction Playbook requires that:

- Resolution planning information is provided by *'suppliers of critical public works contracts'* to *'help to ensure government is prepared for any risk to the continuity of critical public works projects posed by the insolvency of critical suppliers'* (p.12)
- *'Contracting authorities and suppliers should develop open and transparent relationships to enable both sides to act quickly in the event of financial distress'* (p.60).

Frameworks establish relationships with multiple suppliers, and framework contracts can provide a strategic medium through which to maintain the continuity of critical public works projects in the event of a supplier's insolvency. Frameworks can govern the sharing of relevant information and the agreement of action plans that help to avoid the risk of supplier insolvency and to mitigate its effects on the projects called off by framework clients.

Gold Standard framework contracts state open and transparent resolution planning systems, at framework level and at project level, through which framework providers, clients, managers and suppliers respond quickly to signs of a supplier's financial distress. These systems are flexible and transparent and they include commitments to:

- Create and update a shared risk register and participate in joint risk management
- Give early warning of supplier distress
- Participate in a Core Group or equivalent joint decision-making group to consider the impact of supplier distress and the potential for mitigating actions
- Implement a shared plan and timetable of agreed mitigating actions.

Mitigating actions can include temporary or permanent adjustments in the allocation of works, services and supplies pursuant to the framework, provided that the nature and timing of these adjustments and any other mitigating actions:

- Follow an open and transparent process
- Include an opportunity for consultation with the relevant supplier
- Are based on reliable information as to the supplier's financial distress
- Take into account the risk that premature actions may exacerbate the supplier's financial distress.

Gold Standard framework providers, clients and managers explain the proposed resolution planning systems to prospective suppliers and ensure that suppliers understand and commit to implement these systems. Provisions for bonds, guarantees and other security intended to mitigate insolvency risk should be *'proportionate to the risk identified and the criticality of the contract, considering the impact on the overall value for money of a contract'* (p.61).



Recommendation 22: Establish shared and transparent framework systems through which to manage and mitigate the risks of a supplier's financial distress

So that framework providers, clients, managers and suppliers use the stability of their long-term framework relationships to manage a supplier's financial distress and to mitigate its impact, this review recommends that framework providers and clients establish flexible and transparent systems for resolution planning in their framework contracts, including rapid response to early warnings.

Specific actions include:

Framework strategy

- Consider and establish a resolution planning system for the framework provider and clients to manage any risk to the continuity of critical public works projects posed by the insolvency of critical suppliers.

Framework procurement

- State open and transparent systems for resolution planning and ensure that suppliers understand and commit to implement these systems.

Framework contract

- State transparent and flexible resolution planning systems, at framework level and project level, by which the framework provider, clients, manager and suppliers will act quickly in responding to and mitigating the effects of a supplier's financial distress.

23. Framework relationship management

The Construction Playbook emphasises the value of investing in and maintaining collaborative relationships and states that:

- *‘Acting together with suppliers drives mutual understanding and helps to solve problems more effectively, leading to better and faster delivery’*
- *‘Strategic supplier relationship management can unlock additional value and innovation’*
- *‘Contracting authorities should place significant importance on the relationships they create with their supply chains at an organisational and portfolio-level.’ (p.64)*

Frameworks provide an excellent medium for long-term collaborative commitments between framework providers, clients, managers and suppliers, enabling them to build successful relationships and to benefit from strategic relationship management.

90% of contractor participants support more collaboration across frameworks.

Crown Commercial Service reports that *‘not long after the award of the Construction Works and Associated Services Framework we organised supplier alliance forums allowing Ministry of Housing Communities and Local Government direct access to our High-Rise lot suppliers in order to share expectations arising from the Hackitt Report.*

CCS facilitated the alliance forums which included multiple stakeholders from MHCLG, CCS alliance managers, CCS High Rise lot suppliers and CCS Construction Management suppliers, and which enabled better understanding of the practical implications of the Hackitt recommendations. Dame Judith Hackitt stated in her ‘Progress of Culture Change in the Construction Sector’ report that:

- *She ‘welcomed the Construction Works and Associated Services Framework established by the Crown Commercial Service’*
- *‘The contract will enable CCS to mandate collaborative working, creating more integrated relationships and sharing of good practice’*
- *This highlights how CCS is ‘influencing and shaping a positive culture within the Construction Industry’, as ‘an exemplar to others who have yet to demonstrate the leadership we are looking for’.*

When developing a framework strategy, the Playbook states that *‘Contracting authorities should consider how they can adopt a strategic supplier relationship management approach in their organisation to drive win-win benefits. In practice, this means:*

- *value creation beyond that originally contracted*
- *managed engagement at an executive level*
- *joint strategy development, objectives and planning*
- *collaborative behaviours and working*
- *relationship management and monitoring*
- *management of aggregated performance and risk’ (p.66).*

Specific collaborative features of Gold Standard framework relationships are explored in other sections of this review, and their success depends on systems of communication and consultation that build confidence and trust at framework level.

Review participants express concerns as to the amount of time spent on unproductive communication through onerous framework reporting requirements, and on consultation through loosely structured framework focus groups and special interest groups. To address these concerns, a framework needs an explicit communication and consultation strategy, stating agreed communication channels between participants, rules for the use of these channels and the actions that will be taken to implement the outcomes from consultation.

The ISO 44001 International Standard for Collaborative Business Relationship Management states that each collaborative organisation needs to *‘determine the need for internal and external communications relevant to the collaborative business relationship management system, including on what it will communicate, when to communicate, with whom to communicate and how to communicate.’*

Framework joint decision-making

Gold standard framework relationship management is supported by joint decision-making through a *‘Core Group’* or an equivalent group of individuals representing the framework provider, clients, manager and suppliers. The Core Group members are committed to review issues ranging from proposals for improved value to early warning of risk events and the actions required to avoid disputes. A Gold Standard framework contract states how the Core Group meets, how it makes its decisions and how those decisions are put into effect.

The Midlands Highway Alliance reports that *‘The Framework Community Board meets every 4-6 weeks and comprises representatives of all users, framework contractors and some members of the supply chain. It provides a high level of support to all users, with highway authority representatives and framework contractors working together to further our jointly agreed aims and objectives. For example, where there is a lack of client awareness of detail processes, the Framework Community Board addresses this through joint awareness sessions in the form of a commission manual and roadshows.’*

Constructing West Midlands report that *‘Contractor Partners principally operate within a management framework (under the auspices of their signed Framework*

Agreement) alongside their fellow Contractor Partners appointed within the same Lot. Contractor Partners are expected to work jointly, in a spirit of openness and partnership with Contractor Partners appointed to other Lots on the CWM framework, in particular to support development, training and employment, to promote the Framework externally to others, and to jointly target improvement and innovation initiatives.

The relationship between the CWMJCA and Contractor Partners (across all Lots) is steered at high-level by a Strategic Steering Group which will address matters including (but not limited to):

- *Overall Performance and Framework Effectiveness*
- *Policy/ Agree amendments to the Framework Agreement*
- *Partnership Development, Continuous Improvement, target setting etc*
- *Spending/ commissioning/ investment*
- *Review of the Access Rebate and Annual Contractor Partner Levy*
- *Sanctions/ suspension/ disciplinary measures’.*

Consistency is required for successful relationship management, and Core Group representatives should not change unless alternates are approved. Active participation in a Core Group is essential to its success, and a proven collaborative technique is for decisions to be made by unanimous agreement of all those members who are present at a meeting. A Gold Standard Core Group:

- Monitors the operation and management of the framework, and provides constructive guidance to the framework provider, clients, manager and suppliers
- Monitors framework performance by reference to agreed objectives, success measures and targets, and reviews and approves proposals relating to agreed incentives and relating to problems in achieving agreed targets
- Reviews and approves proposals for framework activities that are intended to achieve improved value, and monitors the outcomes from those activities

- Reviews and approves proposals for the framework provider, clients, manager and suppliers to share information that could assist value improvement, subject to intellectual property rights and other protections
- Reviews and approves strategic measures that would enable the framework to withstand unforeseeable events and adapt to changing circumstances
- Considers risk events and other problems notified by early warning, including for example signs of supplier financial distress, and considers and approves risk management actions that are designed to avoid disputes.

contractors. For example, contractors consider their supply chains unique to them, and their commercial advantage. We were able to carry out a review with them of all sub - contractors used across the framework, and to openly discuss which of these could be exposed to over-use. The results surprised our contractors and led to the establishment of the supply chain portal, so that there is even more visibility of the package procurement process, as well as much better pipeline and opportunity visibility for the supply chain.'

Where the framework provider, clients, manager and suppliers see the potential to improve value by formalising strategic supply chain relationships, they can agree to implement the ESI processes of Supply Chain Collaboration described in Sections 7 and 13 and in **Annex 5**.

The Effectiveness of Frameworks

Report notes that the Ministry of Justice framework alliance *'has a solid governance structure through a Strategic Core Group comprising representatives from the MoJ and the Alliance suppliers'*, and that *'Information on the delivery pipeline and updates on the MoJ ways of working, challenges, initiatives etc are discussed as part of Strategic Core Group meetings.'*

Supply chain relationship management

Strategic relationship management should reach beyond the framework provider, clients, manager and suppliers and should include tier 2 and 3 supplier chain members. Although relationships with subcontracted supply chain members are managed primarily by framework suppliers, strategic supply chain relationships can also be supported through collaborative initiatives led by framework providers.

The Southern Construction Framework

reports that *'Framework managers and contractors have jointly made decisions around Employment and Skills, Health and Safety, Sustainability, and Supply Chain. Some of these such as Supply Chain have proved to be difficult conversations due to the commercial sensitivity to the*

Recommendation 23: Improve framework outcomes by creating collaborative systems for the management of framework relationships and strategic supply chain relationships

To drive improved framework outcomes through clear mutual understanding, effective problem-solving and dispute avoidance, this review recommends that framework providers, clients and managers create collaborative systems for managing framework relationships and that these are mirrored by suppliers in strategic supply chain relationships. These systems should include a 'Core Group' or equivalent joint decision-making group through which to manage strategic planning, value improvement, risk reduction and dispute avoidance.

Specific actions include:

Framework strategy

- Engage with the market and senior internal stakeholders to understand what type of relationships may be most appropriate for the proposed framework programme.
- Align the evaluation strategy with the intended supplier relationships.
- Align the framework contract terms with the intended supplier relationships, including risk allocation, liabilities, payment, incentive structures and management processes.
- Create flexibility in the framework contract to enable the types of relationship to change if required.

Framework procurement

- State the commitment of the framework provider and clients to strategic supplier relationship management at an organisational and portfolio level.
- Evaluate supplier proposals to work together with the clients, manager and other suppliers in order to drive mutual understanding, solve problems more effectively and achieve better and faster delivery.
- Evaluate supplier commitments to implement strategic supply chain relationships.

Framework contract

- State how the framework provider, clients and manager will act together with suppliers at an organisational and portfolio-level in order to drive mutual understanding, solve problems more effectively and achieve better and faster delivery.
- Align the contract terms with the intended supplier relationships, including risk allocation, liabilities, payment, incentives and management processes and with the suppliers' commitments to strategic supply chain relationships.
- State the terms of reference for a framework core group or equivalent joint decision-making group.
- State the strategic supplier relationship management systems by which the framework provider, clients, manager and suppliers:
 - jointly seek improvement in the value originally agreed and manage value improvement at an executive level
 - undertake joint strategy development, objectives and planning
 - commit to collaborative behaviour and working
 - jointly manage and monitor their relationships
 - jointly manage aggregated performance and risk.

24. Training and guidance on Gold Standard frameworks

Many review participants comment on potential challenges in the implementation of Construction Playbook policies caused by the lack of standards against which to assess the competence, experience and attitude of framework providers, clients, advisers, managers and suppliers. They note:

- The potential for obstacles where framework practices ignore Playbook policies or do not use Gold Standard frameworks, framework contracts and action plans to put them into effect
- The restrictions to progress where case studies of good framework practices in different sectors are not shared more widely and fail to mature into new commercial norms.

Gold Standard frameworks, Gold Standard framework contracts and Gold Standard action plans establish objective standards against which to measure the implementation of Construction Playbook policies. A combination of training, guidance and case studies will support adoption of these standards by explaining how Gold Standard frameworks, framework contracts and action plans work in practice and how they achieve improved outcomes. The absence of recognised framework training, combined with the absence of guidance and exchanges of experience, will leave an uneven playing-field and will make it difficult for the implementation of Playbook policies to achieve and maintain momentum.

Consistent framework training

Framework providers, clients, advisers, managers and suppliers need to develop their knowledge, experience and commitment through cross-sector, cross-disciplinary training that provides:

- The confidence and capability to design and implement outcome-focussed framework strategies, framework procurement processes and framework contracts
- A full understanding of Gold Standard frameworks, Gold Standard framework contracts and Gold Standard action

plans, and of how and why to use them to implement Construction Playbook policies

- The confidence and capability to lead, manage and implement collaborative framework systems for value improvement and risk reduction
- Effective framework leadership, management and integration.

Framework training should be cross-disciplinary and accessible. It should avoid the twin-track approach by which collaboration is reserved for occasional workshops and more traditional behaviours are allowed to govern call-off, delivery and performance measurement.

ISO 44001 states that collaborative business relationships require an organisation 'to determine the necessary competence of people doing work that, under its control, affects the management system's performance, its ability to fulfil its obligations and ensure they receive the appropriate training. In addition, organizations need to ensure that all people doing work under the organization's control are aware of the collaborative relationships policy, how their work may impact this and implications of not conforming with the collaborative business relationship management system'.

Consistent standards of training can embed practices that optimise the success of Gold Standard frameworks, framework contracts and action plans by:

- Clarifying the roles of framework providers, clients, managers and suppliers
- Developing mutual commitments across each framework and between connected frameworks
- Facilitating exchanges of experience and information among framework providers, clients, managers and suppliers
- Capturing value improvement through framework procurement, call-off, feedback and strategic activities.

The Connect Plus Trial Project highways framework reports that it provided *‘the training and personal development of people to work in accordance with a collaborative skill-set’* so as to:

‘Build and maintain a community culture supporting collaborative supply chain relationships led from the top’

‘Create a group of trained and accredited facilitators from throughout the supply chain that are responsible for promoting and maintaining a collaborative culture’

Adopt an ‘in-depth approach to people selection, skills training and psychological development in these key roles [which] has proven critical to the outcomes achieved on the ground.’

- Sharing experience and providing access to techniques that others can adopt
- Showing how improved framework practices can be implemented, how to navigate procedures and how to overcome perceived obstacles
- Illustrating the development and implementation of an outcomes-based framework strategy and a value-based framework procurement
- Illustrating the interactions between framework leadership, management and collective decision-making
- Illustrating the operation of the collaborative relationships, value improvement systems and risk management systems set out in a Gold Standard framework alliance contract
- Illustrating the interactions between the framework procurement and call-off
- Providing a consistent basis for learning and improvement
- Helping to identify genuine distinctions between different Gold Standard frameworks.

Practical framework guidance

Consistent training should be supported by practical guidance in the operation of Gold Standard framework strategies, procurement processes, contracts and management. For example, the benefits of a Gold Standard framework contract will not be obvious to those in the industry who are conditioned by the adversarial history of construction contracts. Training and guidance will help framework providers, clients, managers and suppliers to take control of the contractual machinery that clarifies the scope and timing of their framework commitments.

Review participants have provided many case studies illustrating the economic, social and environmental value achieved on projects procured through frameworks. These case studies deserve detailed analysis of the ways in which value improvement and risk management are attributable to the operation of frameworks and framework contracts.

Shared framework experience

The Construction Playbook recognises that *‘Feedback, stories and case studies should be published to share learnings across the public sector.’* (p.70). Case studies form an important part of training and guidance because framework skills and confidence can be improved by:

Consistent standards of training, guidance and case studies will build a compelling body of shared knowledge. This will support the widespread understanding and adoption of Gold Standard frameworks, Gold Standard framework contracts and Gold Standard action plans as a powerful engine-room for implementing [Construction Playbook](#) policies.

Recommendation 24:

Support the adoption of Gold Standard frameworks, framework contracts and action plans through government-led training and guidance

In order to help framework providers, clients, managers and suppliers implement Construction Playbook policies through the widespread adoption of Gold Standard frameworks, Gold Standard framework contracts and Gold Standard action plans, this review recommends that Cabinet Office leads the development of accessible, cross-disciplinary training and guidance, and that clients and industry contribute their experience, feedback and case studies to create a compelling body of shared knowledge.

Annex 1 Framework Review Process and Participants

This review has examined the framework procurement documents, contracts, guidance and case studies shared by 20 clients and framework providers who serve central government departments, arm's length bodies, local authorities and the wider public sector. This review has also benefitted from over additional 100 contributions from clients, framework providers, industry membership organisations, consultants, contractors, specialists and advisers. All written contributions were submitted on a confidential basis, and many were followed up with discussions in online meetings.

Questionnaires were designed for framework providers, industry participants, membership organisations and advisers, in which they were invited to share their views and experience as to how current frameworks:

- Operate in practice
- Align the objectives, success measures, targets and incentives of users and suppliers
- Enable joint working on improving value and reducing risk
- Provide for transparent performance measurement and work allocation procedures.

The questionnaires also explored the following:

- Numbers and types of suppliers appointed under each framework
- Geographical range of each framework, its client users and duration
- Total potential value of frameworks compared to total value of work awarded
- Resources committed to bidding for frameworks and the reasons for decisions not to bid
- Procurement processes and evaluation criteria for selecting suppliers
- Framework contract terms, user joining systems, cost models and call-off systems
- Project delivery models, project contract terms and call-off options
- Management systems and decision-making processes for users and suppliers

- Performance measurement processes
- Case studies of agreed project outcomes, improved value and reduced risks
- Framework problems and how these could be avoided or dealt with better
- Framework systems for enabling, supporting and measuring:
 - Selection by value of project team members
 - Collaborative working and team integration
 - Early supply chain involvement
 - Use of digital technology
 - Joint risk management and fair risk allocation
 - Fair payment and payment security throughout the supply chain
 - Cost transparency, cost certainty and agreed cost savings
 - Improved quality and reduced defects
 - Improved safety and reduced accidents
 - Effective time management
 - Improved project operation and whole life value
 - Net zero targets and improved environmental sustainability
 - Employment opportunities and skills development
 - Opportunities for local and regional businesses
 - Problem resolution and dispute avoidance
 - Shared learning and continuous improvement.

The following clients and framework providers shared their views, experience, procurement documents, framework contracts, guidance and case studies:

■ **Constructing West Midlands**

The Constructing West Midlands framework covers capital works generally exceeding £250,000 in value: including new build, extensions, improvements, renovations, reinstatement, repairs, mechanical, electrical, services and infrastructure works. It has an estimated total value £2.1 billion, comprising Lot 1 generally between £250,000, and £5 million and Lot 2 generally in excess of £5 million.

■ **Crown Commercial Service**

The Crown Commercial Service framework alliances comprise:

- Construction Professional Services with a total potential value of £ 1.3 billion in six lots (built environment & general infrastructure; urban regeneration; international; high rise; defence; environmental and sustainability technical services). Services in all lots include project management, cost consultancy, architectural, BIM, building services, civil and mechanical engineering.
- Construction Works and Associated Services with a total potential value of £30 billion in 11 lots comprising five generalist value-banded lots and six specialist lots (residential works, high-rise, maritime, airfield, demolition and construction management).
- Modular Building Solutions with a total potential value of £1.2 billion covering design consultants, project managers, principal contractor and building manufacturers in 5 lots (education purchase; health purchase; education hire; health hire; general buy or hire).
- Building Materials and Equipment with a total potential value of £900 million comprising manufacturers, merchants and subcontractors in 9 lots (heavy building materials; plumbing, heating & bathrooms; electrical products; paints and solvents; flooring; kitchens; PPE and workwear; tools and equipment purchase; tools and equipment hire).

■ **Department for Education**

The Department for Education 2017 Construction Framework ('2017 CF') is the fourth iteration of DfE Frameworks with a potential total value of £8 billion across 3 value bands and geographical lots and 30 contractors. The 2021 CF is currently being procured with a potential total value of £7 billion and a scope that is widened beyond education buildings.

The Department for Education Offsite Schools Framework has a total potential value of £3 billion and 10 suppliers in 2 Lots (for projects or batched projects with a GIFA either above or below 6000m²). Suppliers include volumetric manufacturers, panelised systems, component-based solutions and hybrids.

■ **Department for Work and Pensions**

The Department for Work and Pensions fit-out framework has a total potential value of £375 million over 4 a year tenure and features 17 suppliers across 5 geographical regions as well as national and financial lots. A recent requirement of the DWP Estate is the Rapid Estate Expansion Programme (REEP) using a direct award procedure under the CCS construction framework (Lot 2) for the delivery of urgent works in support of Covid19 recovery.

DWP use CCS frameworks for the provision of furniture and professional services such as design, cost and project management, and have worked extensively with CCS on thematic lotting for the strategy and proposed structure of their professional services framework.

■ **Environment Agency**

The Environment Agency Collaborative Delivery Framework has a potential total value of £1.5 billion, working through six Integrated Delivery Teams (IDT) comprising a multi-disciplinary consultant and a contractor. Each IDT delivers an allocated capital programme in two or three areas, with incentivisation mechanisms that are linked to performance, defined at framework level and administered at IDT and project level.

Other Environment Agency frameworks include water and environment management, national cost management, client support, mapping and modelling, marine and coastal, operational and national property flood resilience.

■ Highways England

Highways England operates frameworks in operational maintenance and repair and network enhancements. HE also operates service provision frameworks such as specialist technical and professional services, commercial and project management services and archaeology.

Operational maintenance and repair include an asset delivery programme with the asset delivery partner acting in the role of construction manager and HE awarding all works contracts direct.

The HE major frameworks for network enhancement are:

- Regional Delivery Partnerships with a total potential value of £9 billion delivered in 5 regions by 13 Delivery Integration Partners and 6 Technical Advisors.
- Smart Motorway Alliance with a total potential value of £6 billion delivered by 6 suppliers.

■ H.M. Revenue and Customs

HMRC established a Hubs Framework to deliver the Government Hubs Programme which had a potential value of £1 billion and covered fit out works creating hubs designed to reduce the Government office estate from around 800 buildings to around 200 by 2023, generating savings of around £2.24 billion over ten years. The Hubs Framework comprised three lots, namely a national lot for projects in excess of £25 million and northern and southern lots for projects below £25 million. Related professional services were delivered through CCS frameworks.

■ LHC

LHC provide the following current frameworks:

- Off-site Construction of New Homes with a total potential value of £1.1 billion
- Housing Construction Scotland, Consultancy, with a total potential value of £150 million
- Services Housing Construction Scotland with a total potential value of £1.5 billion
- Housing Construction Southwest and Wales, Consultancy, with a total potential value of £70 million

- Housing Construction Southwest and Wales with a total potential value of £1.2 billion
- North and Mid-Wales Residential Construction with a total potential value of £1 billion
- Schools & Community Buildings with a total potential value of £6.92 billion
- Modular Buildings with a total potential value of £1 billion
- Whole House Refurbishment and Improvement with a total potential value of £1.3 billion
- A range of related frameworks including supply of kitchen units & worktops, heating services, energy efficiency, general refurbishment works and offsite project integrators.

■ Midlands Highway Alliance

The Midlands Highway Alliance frameworks are available to the 24 member authorities and comprise:

- A highways contractor framework with a total potential value of £500 million delivered through four civil engineering contractors using a two-stage open book procurement model
- A professional services framework in two lots comprising services with a potential total of £39 million delivered through two consultants and secondments with a potential total value of £26 million delivered through two suppliers.

■ Ministry of Justice

Frameworks are utilised widely across the Ministry of Justice. Typically, they are limited to a certain discipline or part of the supply chain e.g. professional services, tier 1 contractor, legal services, property services.

MoJ construction frameworks have included a £900 million new build alliance framework under a bespoke strategic alliance agreement and equivalent alliance frameworks for refurbishment and consultancy services.

MoJ construction frameworks are typically awarded for longer than 4 years and undertaken on a regional basis. Service frameworks vary in duration depending on the type, nature and complexity of the service.

Increasingly, MoJ are moving to utilising call-offs under the CCS pan-public sector frameworks, for example in relation to facilities management.

MoJ construction procurements typically follow the IPA Routemap <https://www.gov.uk/government/publications/improving-infrastructure-delivery-project-initiation-routemap>.

■ Network Rail

Current Network Rail frameworks include IPSNE Renewals and Enhancements Framework with a total potential value of £1.9 billion delivered through 3 contractors appointed to 3 lots. The framework clients are the Scotland Region and Eastern Region Routes, LNE Route, Capital Delivery stakeholders, Transport Scotland and the DfT.

Network Rail has also established the following alliances with a combined potential value of £4.95 billion delivered through integrated teams each comprising one or two contractors and a designer:

- North Rail Systems Alliance
- Central Rail Systems Alliance
- South Rail Systems Alliance.

■ NHS Procure 22

The NHS ProCure frameworks, currently ProCure 22, are now in their 19th year and have delivered 1,235 projects worth a total of £9.7 billion. These frameworks deliver projects through Principal Supply Chain Partners who are primarily large construction firms selected via mini-competition for project design and construction.

ProCure users are mostly NHS Trusts, who separately resource the client-side professional roles of Project Manager, Cost Advisor and Supervisor.

NHS ProCure is currently procuring a new 'ProCure2020' framework with a total potential value of over £9 billion.

■ NHS Shared Business Services

The NHS Shared Business Services public sector construction frameworks have a projected value of up to £1.5 billion per annum over 7 years, delivered through 57 contractors in 5 lots:

- Lot 1 for projects of up to £2.5 million (12 regions)

- Lot 2 for projects of £2.5m - £5 million (12 regions)
- Lot 3 for projects of £5m - £15 million (12 regions)
- Lot 4 for projects of £15m - £35 million (national)
- Lot 5 for projects of over £35 million (national).

NHS Shared Business Services other frameworks include:

- Construction Consultancy Services, with over 200 SME and national consultants covering architecture, project management, civil engineering and quantity surveying
- Modular Buildings, with 19 specialist contractors covering offsite building solutions for purchase, hire and lease
- Car Park Management and Infrastructure, with 30 providers of car parking goods and services and contractors for car park construction and refurbishment.
- Healthcare Improvement Services including capital equipment services and advising on fit-outs.

■ North East Procurement Organisation

The North East Procurement Organisation Frameworks comprise:

- Building and Construction Works with a total potential value of £300 million delivered through 20 contractors across 6 Lots split according to value thresholds except Lot 6 which is for housing-related works
- Civil Engineering and Infrastructure with a total potential value of £900 million delivered through 26 contractors across 13 Lots split according to pre-determined value thresholds
- Construction and Engineering Consultancy with a total potential value of £10 million delivered by 60 suppliers across 16 lots such as multi-disciplinary services, ecology, architectural services, highways planning and flood and marine defences.

■ North West Construction Hub

The current third iteration of the North West Construction Hub Construction Frameworks comprise

- Low Value Framework (£500K - £3M), 7 Contractors across 1 Lot with a total potential value of £120 million
- Medium Value Framework (£2M - £10M), 12 Contractors across 6 Lots with a total potential value of £1 billion
- High Value Framework (£8M - £35M+), 11 Contractors across 3 Lots with a total potential value of £ 1.5 billion.
- Consultant services are procured under an Integrated Consultant Framework with NWCH in three lots (Lot 1 South West, Lot 2 South East & London and Lot 3 North West and Midlands).

Consultant services are procured under an Integrated Consultant Framework with Southern Construction Framework in three lots (Lot 1 South West, Lot 2 South East & London and Lot 3 North West and Midlands).

■ Scape

The current Scape frameworks comprise:

- Regional construction, Central and Eastern England, with a total potential value of value £1.1bn delivered through 11 suppliers
- Minor works, with a total potential value of value £1.5bn delivered through 1 supplier
- National construction, with total potential value of value £9 bn delivered through 4 suppliers
- Civil engineering, with a total potential value of value £2.1bn delivered through 1 supplier
- Future construction, with a total potential value of value £14 bn delivered through 12 suppliers
- Consultancy, with a total potential value of value £1 bn delivered through 5 suppliers.

■ Southern Construction Framework

The Southern Construction Framework supports public sector clients and publicly funded projects delivered by 10 tier 1 contractors in three regional lots, with total potential values of

£1.5 bn. (South West), £1.75 bn (South East) and £2bn. (London). It uses exclusively a Two Stage Open Book project procurement model.

Consultant services are procured under an Integrated Consultant Framework with North West Construction Hub in three lots (Lot 1 South West, Lot 2 South East & London and Lot 3 North West and Midlands).

■ South East and Mid-Wales Collaborative Construction Framework

The South East and Mid-Wales Collaborative Construction Framework (SEWSCAP) has 21 general contractors and 5 modular/demountable providers across 11 Lots, with the total estimated framework value being £1 billion.

■ South West Wales Regional Contractors Framework

The South West Wales Regional Contractors Framework is a construction framework with an overall potential value of £1 billion under which 19 contractors are appointed over 10 lots for general construction work split in accordance with value and location.

■ YORhub

The current YORhub frameworks comprise:

- YORbuild2 building works with a potential total value of £2,028m
- YORbuild Major Works with a potential total value of £1,500m
- YORcivil2 civil works with a potential total value of £1,044m
- YORcivil Major Works with a potential total value of £2,000m
- YORconsult2 consultancy services with a potential total value of £120m.

The following additional clients, framework providers, regulators, good practice bodies, contractors, specialists, architects, engineers, project managers, surveyors, lawyers and advisers have shared their views, experience and case studies:

Clients, framework providers and regulators

- Anglian Water
- Armagh City, Banbridge and Craigavon Borough Council
- Blackpool Council
- Cabinet Office
- Greater London Authority
- Hackney Homes
- Health and Safety Executive
- Homes England
- Infrastructure and Projects Authority
- King's College London
- London and Quadrant Housing Trust
- Ministry of Housing Communities and Local Government
- Ministry of Defence
- NHS New Hospitals Programme
- Platform Housing Group
- Scottish Futures Trust
- South East Consortium
- Strategic Investment Board (Northern Ireland)
- Surrey County Council
- University of Nottingham
- University of Salford
- University of the West of England

Good practice bodies

- Alliance Steering Group
- British Property Federation
- Constructing Excellence
- Construction Industry Council
- Construction Leadership Council
- Housing Forum
- National Association of Construction Frameworks
- National Housing Federation

Contractors

- Build UK
- Civil Engineering Contractors Association
- Amco Giffen
- BAM
- Balfour Beatty
- Beard Construction
- Brook & Mayo
- Connect Plus Consortium
- Costain
- East West Rail Alliance
- Galliford Try
- GRAHAM
- Hill Partnerships
- Interserve
- John Sisk
- Kier
- Laing O'Rourke
- Lendlease
- Midas
- Mulalley
- Osborne
- Parkinson
- Seddon
- Sir Robert McAlpine
- Skanska
- Speller Metcalfe
- Taylor Woodrow
- Tilbury Douglas
- VINCI
- Volker Rail
- Wates
- Willmott Dixon

Specialists

- Builders Merchants Federation
- Electrical Contractors Association
- Crown House
- ESS Modular
- Keltbray
- Polypipe

Architects

- Association of Consultant Architects
- Royal Institute of British Architects
- Bell Phillips
- Bryden Wood
- HTA
- Pollard Thomas Edwards
- RCKa
- Urban Mesh

Advisers

- Ark Consultancy
- Lean Thinking
- Lingwood Management Services
- Metre Sq
- On-Pole
- Paul Morrell
- Savills
- Whiterock

Engineers

- Association for Consultancy and Engineering
- Institution of Civil Engineers
- Aecom
- Arup
- Atkins
- Buro Happold
- Jacobs
- Mott MacDonald
- Nolan Associates
- Sutcliffe
- Waterman
- WSP

Project managers and surveyors

- Royal Institution of Chartered Surveyors
- Arcadis
- Bailey Garner
- Faithful + Gould
- Mace
- Rider Levett Bucknall
- Turner and Townsend

Lawyers

- Capsticks
- Fenwick Elliott
- Pinsent Masons
- Trowers & Hamblins
- White and Case

Annex 2 Checklist of Construction Playbook Policies and Gold Standard Frameworks

Safety, Zero Carbon, Compact with Industry (Section 3 and Recommendation 3)	Components of a Gold Standard for Frameworks and Framework Contracts
<p>Health, safety and wellbeing, embedding CDM compliance, reduced occupational illness and support for small businesses in project and programme planning.</p> <p>Building safety behaviours and practices, starting with an improved procurement process that drives quality and required safety outcomes rather than lowest cost.</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Framework market health and capability assessments (Section 9) ■ Harmonising, digitising and rationalising framework demand (Section 11) ■ Further embedding digital technologies through frameworks (Section 12) ■ Framework ESI and Supply Chain Collaboration (Section 13) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) 	<p>Framework strategy Consider and establish how the framework provider, clients, manager and suppliers will be expected to deliver improved health, safety, wellbeing and improved building safety.</p> <p>Framework procurement Evaluate prospective suppliers' commitments to improve health, safety, wellbeing and improved building safety.</p> <p>Framework contract State how the commitments of the framework provider, clients, manager and suppliers to health, safety, wellbeing and improved building safety will be implemented on each project and how improvements will be developed, shared, agreed and acted on.</p>
<p>Build back greener, including systems and processes to ensure that projects and programmes deliver on net zero carbon and other sustainability targets.</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Framework market health and capability assessments (Section 9) ■ Harmonising, digitising and rationalising framework demand (Section 11) 	<p>Framework strategy Consider and establish how the framework provider, clients, manager and suppliers will be expected to deliver net zero carbon and other sustainability targets.</p> <p>Framework procurement Evaluate suppliers' commitments to net zero carbon and other sustainability targets.</p>

<ul style="list-style-type: none"> ■ Further embedding digital technologies through frameworks (Section 12) ■ Framework ESI and Supply Chain Collaboration (Section 13) ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Framework benchmarking and Should Cost Models (Section 16) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) 	<p>Framework contract</p> <p>State how the commitments of the framework provider, clients, manager and suppliers to net zero carbon and other sustainability targets will be implemented on each project and how improvements will be developed, shared, agreed and acted on.</p>
<p>Long-term, strategic collaborative relationships that underpin investments in people, technology and capacity and that lead to measurable improvements in productivity and project outcomes.</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Frameworks and commercial pipelines (Section 8) ■ Framework market health and capability assessments (Section 9) ■ Framework portfolios and longer-term contracting (Section 10) ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Delivery model assessments for frameworks and framework projects (Section 15) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) ■ Framework mechanisms for payment and pricing (Section 19) ■ Evaluating frameworks and call-offs (Section 21) ■ Framework relationship management (Section 23) 	<p>Framework strategy</p> <p>Consider and establish how the framework will create long-term strategic collaborative relationships between the framework provider, clients, manager, suppliers and supply chain members.</p> <p>Framework procurement</p> <p>State the client commitments to long-term strategic collaborative relationships and evaluate suppliers' commitments to long-term strategic collaborative relationships.</p> <p>Framework contract</p> <p>State the structure and systems that create and sustain long-term strategic collaborative relationships.</p>

<p>Reward for industry partners delivering improved value through faster, better, greener outcomes, including more consistent, equitable risk transfer and a fair return.</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Framework benchmarking and Should Cost Models (Section 16) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) ■ Framework mechanisms for payment and pricing (Section 19) ■ Evaluating frameworks and call-offs (Section 21) ■ Framework relationship management (Section 23) 	<p>Framework strategy</p> <p>Consider and establish how clients will reward suppliers for delivering improved value through faster, better, greener outcomes, including consistent, equitable risk transfer and a fair return.</p> <p>Framework procurement</p> <p>State the commitments of the framework provider, clients and manager to consistent, equitable risk transfer and a fair return, and evaluate suppliers' proposals for delivering improved value through faster, better, greener outcomes.</p> <p>Framework contract</p> <p>State the commitments of the framework provider, clients, manager and suppliers to consistent, equitable risk allocation and a fair return, state how these commitments will be implemented on each project, and state the framework systems for developing, sharing, agreeing and acting on suppliers' proposals for delivering improved value through faster, better, greener outcomes.</p>
<p>Working more collaboratively at all levels of the supply chain, with more focus on social value, sustainability and asset performance.</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Harmonising, digitising and rationalising framework demand (Section 11) ■ Framework ESI and Supply Chain Collaboration (Section 13) ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Delivery model assessments for frameworks and framework projects (Section 15) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) ■ Framework mechanisms for payment and pricing (Section 19) 	<p>Framework strategy</p> <p>Consider and establish the benefits of the framework provider, clients and manager working collaboratively with suppliers at all levels of the supply chain, including how this collaboration can improve social value, sustainability and asset performance.</p> <p>Framework procurement</p> <p>State the commitments of the framework provider, clients and manager to work collaboratively with suppliers at all levels of the supply chain, and evaluate suppliers' proposals for delivering improved social value, sustainability and asset performance.</p> <p>Framework contract</p> <p>State:</p> <ul style="list-style-type: none"> ■ The commitments of the framework provider, clients, manager and suppliers to work collaboratively at all levels of the supply chain ■ How these commitments will be implemented strategically and on each project

<ul style="list-style-type: none"> ■ Evaluating frameworks and call-offs (Section 21) ■ Framework relationship management (Section 23) 	<ul style="list-style-type: none"> ■ The framework systems for developing, sharing, agreeing and acting on suppliers' and supply chain members' proposals for delivering improved social value, sustainability and asset performance.
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Construction Playbook Policies	Gold Standard Frameworks and Framework Contracts
<p>Frameworks and commercial pipelines (Section 8 and Recommendation 8):</p> <p>Avoid wasted procurement costs and improve supplier commitments by ensuring that frameworks offer sustainable pipelines of work.</p>	<p>Framework strategy Consider and establish the commercial pipeline of works, services and supplies to which the client or clients can commit through the framework, and the factors and preconditions that limit those commitments.</p> <p>Framework procurement State the clients' commitments to procure a commercial pipeline, state the factors and preconditions that limit those commitments, and evaluate the suppliers' capacity, capability and proposals for delivering that pipeline subject to those factors and preconditions.</p> <p>Framework contract State the clients' and suppliers' commitments to a commercial pipeline, and the factors and preconditions that limit those commitments.</p>
<p>Framework market health and capability assessments (Section 9 and Recommendation 9):</p> <p>Use pre-procurement framework consultation to explore emerging technologies and innovations and to identify opportunities in the market.</p>	<p>Framework strategy Consider the emerging technologies and innovations that the client or clients want to access through the framework in order to deliver the desired or required project outcomes, identify potential opportunities and limitations in the market and consider how the framework procurement and framework contract could optimise competition and improve market health.</p> <p>Framework procurement Embody pre-procurement learning and evaluate supplier proposals as to how emerging technologies and innovations will deliver the desired or required strategic and project outcomes.</p> <p>Framework contract Embody pre-procurement learning and structure the value improvement systems to incentivise and take advantage of emerging technologies and innovations.</p>

<p>Framework portfolios and longer-term contracting (Section 10 and Recommendation 10):</p> <p>Reduce procurement costs and improve value through the award of longer-term call-off contracts and the incentive of additional work.</p>	<p>Framework strategy</p> <p>Consider and establish the optimum duration, scope and continuity of call-off awards, including the scope for longer-term call-off awards and for additional project awards without additional mini-competitions, in order for suppliers to provide innovations and investments in new technologies that will deliver improved productivity and efficiency savings.</p> <p>Framework Procurement</p> <p>State the clients' commitments to call-off duration, scope and continuity, and evaluate suppliers' proposals as to how these commitments will affect innovations and investments in new technologies and the suppliers' delivery of improved productivity and efficiency savings.</p> <p>State the scope for longer-term call-off awards that aggregate programmes for work and for additional project awards without additional mini-competitions and evaluate suppliers' proposals as to how these prospects will affect innovations and investments in new technologies and the suppliers' delivery of improved productivity and efficiency savings.</p> <p>Framework Contract</p> <p>State the clients' commitments to call-off duration, scope and continuity and the suppliers' commitments in response to the prospect of longer-term call-off awards or additional project awards without additional mini-competitions.</p> <p>State how these commitments will affect the suppliers' innovations and investments in new technologies and the suppliers' delivery of improved productivity and efficiency savings.</p> <p>State clear obligations to drive continuous improvement in safety, time, cost and quality.</p>
<p>Harmonising, digitising and rationalising framework demand (Section 11 and Recommendation 11):</p> <p>Improve supplier investments in MMC and other offsite technologies by awarding framework call-off contracts for portfolios of work.</p>	<p>Framework strategy</p> <p>Consider how the framework could deliver client outcomes by accelerating the development and use of MMC, platform approaches, standard products and components.</p> <p>Consider how MMC, platform approaches, standard products and components could affect the suppliers' ability to plan, invest and deliver digital and offsite manufacturing technologies.</p> <p>Consider how value and outcomes could be improved by multiple clients procuring the</p>

	<p>framework together across portfolios of public works and by the development of cross-sector platform solutions.</p> <p>Framework procurement Evaluate supplier proposals to develop and use MMC, platform approaches, standard products and components.</p> <p>Evaluate supplier proposals to plan, invest in and deliver digital and offsite manufacturing technologies.</p> <p>Framework contract Structure the systems for call-off, value improvement and risk management to incentivise and take advantage of MMC, platform approaches, standard products and components supported by digital and offsite manufacturing technologies.</p> <p>Include the option of a sub-alliance to integrate the work of multiple suppliers and supply chain members across multiple framework projects.</p>
<p>Further embedding digital technologies through frameworks (Section 12 and Recommendation 12):</p> <p>Create a whole life golden thread of asset information using BIM and other digital technologies integrated under a framework alliance contract.</p>	<p>Framework strategy</p> <p>Consider:</p> <ul style="list-style-type: none"> ■ how the framework can deliver client outcomes by standardising the approach to generating and classifying data, data security and data exchange ■ how performance, sustainability and value for money of projects and programmes can be improved through the effective retention and management of the 'golden thread' of building information being passed on from the design team to the facility operator via the contractor ■ how a common framework of standards and protocols will enable secure, resilient data sharing across organisations and sectors. <p>Framework procurement Evaluate supplier proposals to improve performance, sustainability and value for money through the development and use of digital technologies.</p> <p>Framework contract Structure the systems for call-off, value improvement and risk management to:</p>

	<ul style="list-style-type: none"> ■ integrate the whole life retention and management of digital contributions to the golden thread of building information so that it is passed on from the design team to the facility operator via the contractor ■ integrate a common framework of standards and protocols that will enable secure, resilient data sharing across organisations and sectors.
<p>Framework early supply chain involvement (ESI) and Supply Chain Collaboration (Section 13 and Recommendation 13):</p> <p>Improve economic, social and environmental outcomes through framework early supply chain involvement (ESI), using Supply Chain Collaboration systems in all framework contracts.</p>	<p>Framework strategy</p> <p>Consider ways in which the framework can deliver client outcomes with improved value and reduced risk by formally engaging tier 1 suppliers alongside tier 2 and 3 supply chain members, strategically and in the pre-construction phase of framework projects.</p> <p>Consider the benefits to the framework of using Supply Chain Collaboration.</p> <p>Consider how ESI can obtain SME insights into MMC, innovative technologies, social value, eradicating Modern Slavery and ways to minimise the GHG footprint of proposed solutions across their whole lifecycle.</p> <p>Involve prospective tier 1 contractors and prospective tier 2 and 3 supply chain members in developing the framework business case.</p> <p>Framework procurement</p> <p>Evaluate supplier ESI proposals:</p> <ul style="list-style-type: none"> ■ to reduce end-to-end programme timescales, identify opportunities, mitigate risks, develop solutions to the right quality levels and increase safety ■ to work collaboratively alongside other tier 1 suppliers and tier 2 and 3 supply chain members ■ to implement Supply Chain Collaboration systems for unlocking additional value and innovations. <p>Framework contract</p> <p>Structure the systems for call-off, value improvement and risk management, and the framework pre-construction services agreements, so as to:</p> <ul style="list-style-type: none"> ■ formally engage tier 1 contractors alongside the tier 2 and 3 sub-contractors and suppliers at a strategic level and in the pre-construction phase of framework projects

	<ul style="list-style-type: none"> ■ access industry experts' knowledge and experience in all tiers of the supply chain early in the project or programme lifecycle ■ collaboratively manage the relationships and interdependencies of supply chain members ■ state the Supply Chain Collaboration systems for unlocking additional value and innovations.
<p>Outcome-based approaches to frameworks and call-offs (Section 14 and Recommendation 14):</p> <p>Incentivise innovative solutions by creating specifications for frameworks and call-offs that focus on required client outcomes.</p>	<p>Framework strategy</p> <p>Consider:</p> <ul style="list-style-type: none"> ■ how the framework can deliver client outcomes using outcome-based specifications ■ how the framework can use a Project Outcome Profile to set clear programme and project outcomes that align with government strategic priorities ■ what IP rights the client or clients need and what IP rights are important to supplier business models ■ how to develop a whole life carbon assessment with the wider supply chain, reflecting ways of minimising GHG emissions across the life of the assets to be procured through the framework. <p>Framework procurement</p> <p>Use specifications that focus on client outcomes rather than programme or project scope.</p> <p>State how IP might arise from the framework and how IP will be managed through the life of the framework.</p> <p>Evaluate supplier solutions accompanied by whole life carbon assessments and proposals for minimising GHG emissions across the life of the assets procured through the framework.</p> <p>Make clear the criteria for performance measurement, how they will be applied and how they will affect the award of future work and other supplier incentives.</p> <p>Framework contract</p> <p>State:</p> <ul style="list-style-type: none"> ■ clear IP rights and responsibilities which reflect what IP the client or clients need and

	<p>what IP rights are important to supplier business models</p> <ul style="list-style-type: none"> ■ a mutually beneficial, open and collaborative approach for sharing ideas and innovative solutions ■ the criteria for performance measurement, how they will be applied and how they will affect the award of future work and other supplier incentives.
<p>Delivery model assessments for frameworks and framework projects (Section 15 and Recommendation 15):</p> <p>Use delivery model assessments to inform and support framework strategies, procurement, contracting, management and call-off.</p>	<p>Framework strategy Undertake an analytical, evidence-based delivery model assessment in order to:</p> <ul style="list-style-type: none"> ■ identify the required and desired outcomes for the framework and framework clients ■ establish the most appropriate model or models to achieve those outcomes ■ decide how the procurement of the framework and of the relevant framework projects and programmes of work will enable the framework provider, clients, manager and suppliers to work together to deliver the best possible outcomes. <p>Consider and establish the objectives, success measures and targets of the clients and framework provider, and appropriate incentives for performance by the prospective suppliers of their framework level and project level commitments.</p> <p>Framework procurement Reflect the chosen delivery model or models in:</p> <ul style="list-style-type: none"> ■ the procurement process for the framework and the call-off process for the relevant framework projects and programmes of work ■ the relationships, structure, processes and provisions created by the framework contract and by the contracts governing the relevant framework projects and programmes of work ■ the systems governing management of the framework and of the relevant framework projects and programmes of work. <p>State the objectives, success measures, targets and incentives of the clients and framework provider, and invite prospective suppliers:</p> <ul style="list-style-type: none"> ■ to submit proposals for achieving these objectives, success measures and targets

	<ul style="list-style-type: none"> ■ to state how these fit with their own objectives, success measures and targets. <p>Framework contract</p> <p>State a system for the framework manager to provide guidance to clients when assessing the best delivery model for each framework project.</p>
<p>Framework benchmarking and Should Cost Models (Section 16 and Recommendation 16):</p> <p>Assess and control the costs of framework deliverables through the use of evidence-based benchmarks and whole life Should Cost Models.</p>	<p>Framework strategy</p> <p>Analyse information from past projects and programmes so as to make more informed and intelligent framework investment decisions and so as to better understand whole life costs and value.</p> <p>Undertake benchmarking of key framework deliverables including cost, schedule, GHG emissions and agreed outcomes at each stage of framework business case development.</p> <p>Framework procurement</p> <p>Use benchmarking and Should Cost Models to forecast the likely scale of the framework programme and the resources required for framework activities.</p> <p>Framework contract</p> <p>State:</p> <ul style="list-style-type: none"> ■ the processes that create a Should Cost Model forecasting what each framework project or programme should cost over its whole life, including the build phase and the expected design life ■ how each Should Cost Model will be used to maintain controls over supplier and supply chain costs throughout call-off, ESI and other project processes ■ the system for benchmarking key deliverables in respect of framework projects including cost, schedule, GHG emissions and agreed outcomes ■ how the benchmarking system will affect the costing of subsequent call-offs.

**Effective framework contracting
(Section 17 and Recommendation 17):**

Integrate the mutual commitments of framework providers, clients, managers and suppliers through the terms of a Gold Standard framework alliance contract.

Framework strategy

Consider and establish:

- how the proposed framework contract will implement Construction Playbook policies in ways that are consistent with the components of the Gold Standard
- how the framework contract can use alliancing arrangements to align commercial objectives, improve intended outcomes and drive greater value for money
- how the framework contract and project contracts can promote collaboration and reduce waste, and how they can create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives
- the benefits of using a standard form framework alliance contract and standard form project contracts with appropriate options
- whether the proposed framework success measures and targets are relevant and proportionate to the size and complexity of the framework programme and framework projects
- how Project Outcome Profiles can be used to set and measure the expected outcomes from framework projects.

Framework procurement

Evaluate supplier proposals in response to the clients' commitments to:

- a framework contract designed to implement Construction Playbook policies in ways that are consistent with the components of the Gold Standard
- alliancing arrangements designed to align commercial objectives, improve intended outcomes and drive greater value for money
- a framework contract and project contracts that promote collaboration and reduce waste, and that create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives

- a standard form framework alliance contract and standard form project contracts with appropriate options, or an explanation of why the framework programme or projects justify a bespoke approach
- framework success measures and targets that are relevant and proportionate to the size and complexity of the framework programme and framework projects
- use of Project Outcome Profiles to set and measure the expected outcomes from framework projects.

Framework contract

State:

- how the framework contract structure and provisions implement Construction Playbook policies in ways that are consistent with the components of the Gold Standard
- how the framework contract structure and provisions align commercial objectives, improve intended outcomes and drive greater value for money
- how the framework contract structure and provisions create relationships, roles and processes that promote collaboration and reduce waste, and how they create positive relationships and processes designed to integrate and align multiple parties' commercial objectives and incentives
- success measures and targets that are relevant and proportionate to the size and complexity of the framework programme and framework projects
- how Project Outcome Profiles will be used to set and measure the expected outcomes from framework projects.

Framework risk management and allocation (Section 18 and Recommendation 18):

Allocate risks based on framework market engagement and use joint framework systems for early risk mitigation and efficient responses to risk events.

Framework strategy

Consider and scrutinise proposals for risk management and risk allocation to ensure they have been informed by genuine and meaningful market engagement.

Framework procurement

Evaluate supplier proposals to deliver better value for money and to focus on delivering agreed contractual outcomes, in response to client commitments to:

- collaborative risk management throughout the commercial lifecycle that supports successful delivery and sustainable outcomes from the framework programme and each framework project
- a proactive approach to identifying and managing risks and opportunities, using the framework contract and project contracts effectively to drive improvement, innovation and value throughout the commercial lifecycle.

Framework contract

State:

- a shared system for the framework provider, clients, manager and suppliers, at framework level, to develop solutions that help eliminate, reduce and mitigate risks
- use of ESI, through joint working before construction commences on each framework project, to develop solutions that help eliminate, reduce and mitigate risks and to ensure that risk allocation is appropriate
- a proactive risk management approach for the framework provider, clients, manager and suppliers, at framework level and at project level, incorporating early warning and joint decision-making
- alignment of risk management systems to the strategic outcomes set out in the Project Outcome Profile for the framework programme and each framework project.

Framework mechanisms for payment and pricing (Section 19 and Recommendation 19):

Create transparent pricing mechanisms for frameworks and call-offs that maximise cost certainty and ensure prompt payment.

Framework strategy

Consider and scrutinise proposals for payment and pricing to ensure that they incentivise the desired behaviours and outcomes, including commitment by clients and suppliers always to pay their supply chain promptly.

Consider and establish how the framework contract and project contracts will create fair returns and payment expectations that attract interest from suppliers and support a sustainable market.

Consider and establish pricing mechanisms and incentives that will achieve best value for money when procuring the framework and when calling-off framework projects.

Framework procurement

Evaluate supplier proposals in response to the clients' commitments to:

- payment and pricing mechanisms designed to incentivise the desired behaviours and outcomes, including commitment by clients and suppliers always to pay their supply chain promptly
- framework contract and project contracts designed to create fair returns and payment expectations
- pricing mechanisms and incentives designed to achieve best value for money through the framework and when calling-off framework projects.

Framework contract

Include payment and pricing mechanisms and incentives designed to:

- motivate the desired behaviours and outcomes, including commitment by clients and suppliers always to pay their supply chain promptly
- create fair returns and payment expectations
- achieve best value for money through the framework and when calling-off framework projects.

<p>Economic and financial standing of framework suppliers (Section 20 and Recommendation 20):</p> <p>Reduce procurement costs by consistent and proportionate assessment of economic and financial standing using 'PAS91' or the 'Common Assessment Standard'.</p>	<p>Framework strategy</p> <p>Consider and establish:</p> <ul style="list-style-type: none"> ■ an approach to assessing the economic and financial standing of prospective framework suppliers that is proportionate to the size, risk and complexity of the framework programme and the framework projects, and that is flexible and not overly risk averse ■ what stringency is recommended by the Contract Tiering tool, with higher thresholds for more critical projects ■ relevant standard information that can be obtained via the Supplier Registration Service. <p>Framework procurement</p> <p>Use PAS91, the Common Assessment Standard or another recommended Standard Selection Questionnaire.</p> <p>Reflect the stringency recommended by the Contract Tiering tool, with higher thresholds for more critical projects.</p>
<p>Evaluating frameworks and call-offs (Section 21 and Recommendation 21):</p> <p>Evaluate proposals for frameworks and call-offs proportionately and consistently using balanced criteria that include quality, social value and net zero GHG emissions.</p>	<p>Framework strategy</p> <p>Consider and establish:</p> <ul style="list-style-type: none"> ■ a clear understanding of value linked to desired and required outcomes ■ how these outcomes align to the government's wider priorities, including net zero GHG emissions by 2050 ■ how procurement of the framework programme and framework projects can drive value-based procurement ■ an evaluation system and criteria that focus on value over cost ■ a system and criteria that include evaluation of social value where the requirements are related and proportionate to the subject-matter of the contract ■ quality criteria that are sufficiently well developed and detailed to allow for the differentiation in scores between competing bids, so as to avoid close or identical quality scores that result in cost-based evaluation. <p>Consider and establish work allocation procedures that reflect the objectives, success measures and targets of the clients and framework provider, and</p>

that incentivise performance by the prospective suppliers of their framework level and project level commitments.

Framework procurement

Evaluate supplier proposals in response to:

- a statement of value linked to desired and required outcomes and linked to the government's wider priorities, including net zero GHG emissions by 2050
- a statement of how the framework programme and framework projects will drive value-based procurement
- an evaluation system and criteria that focus on value over cost
- evaluation of social value where the requirements are related and proportionate to the subject-matter of the contract
- quality criteria that are sufficiently well developed and detailed to allow for the differentiation in scores between competing bids.

State the links between work allocation procedures and performance incentives.

Framework contract

State the systems by which qualitative proposals, including social value proposals and net zero GHG emissions proposals, will be:

- accepted and implemented at framework level and project level
- reserved for later review and adoption, at the option of the framework provider and one or more framework clients
- confidential to one framework supplier
- shared for wider review and adoption by other framework suppliers.

State a call-off evaluation system that is consistent with the framework evaluation system.

State the links between work allocation procedures and performance incentives.

<p>Resolution planning through frameworks (Section 22 and Recommendation 22):</p> <p>Establish shared and transparent framework systems through which to manage and mitigate the risks of a supplier’s financial distress.</p>	<p>Framework strategy Consider and establish a resolution planning system for the framework provider, clients, manager and suppliers to manage any risk to the continuity of critical public works projects posed by the insolvency of critical suppliers.</p> <p>Framework procurement State open and transparent systems for resolution planning and ensure that suppliers understand and commit to implement these systems.</p> <p>Framework contract State transparent and flexible resolution planning systems, at framework level and project level, by which the framework provider, clients, manager and suppliers will act quickly in responding to and mitigating the effects of a supplier’s financial distress.</p>
<p>Framework relationship management (Section 23 and Recommendation 23):</p> <p>Improve framework outcomes by creating collaborative systems for the management of framework relationships and strategic supply chain relationships.</p>	<p>Framework strategy Engage with the market and senior internal stakeholders to understand what type of relationships may be most appropriate for the proposed framework programme.</p> <p>Align the evaluation strategy with the intended supplier relationships.</p> <p>Align the framework contract terms with the intended supplier relationships, including risk allocation, liabilities, payment, incentive structures and management processes.</p> <p>Create flexibility in the framework contract to enable the types of relationship to change if required.</p> <p>Framework procurement State the commitment of the framework provider and clients to strategic supplier relationship management at an organisational and portfolio level.</p> <p>Evaluate supplier proposals to work together with the clients, manager and other suppliers in order to drive mutual understanding, solve problems more effectively and achieve better and faster delivery.</p> <p>Evaluate supplier commitments to implement strategic supply chain relationships.</p>

Framework contract

State how the framework provider, clients and manager will act together with suppliers at an organisational and portfolio-level in order to drive mutual understanding, solve problems more effectively and achieve better and faster delivery.

Align the contract terms with the intended supplier relationships, including risk allocation, liabilities, payment, incentives and management processes and with the suppliers' commitments to strategic supply chain relationships.

State the terms of reference for a framework core group or equivalent joint decision-making group.

State the strategic supplier relationship management systems by which the framework provider, clients, manager and suppliers:

- jointly seek improvement in the value originally agreed and manage value improvement at an executive level
- undertake joint strategy development, objectives and planning
- commit to collaborative behaviour and working
- jointly manage and monitor their relationships
- jointly manage aggregated performance and risk.

Annex 3 Case Studies of Collaborative Frameworks and Alliances

1. Anglian Water @one Alliance: Construction Playbook Case Study

- sourcing.programme@cabinetoffice.gov.uk
- https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/359853/Alliancing_Best_Practice.pdf
- <http://www.constructionleadershipcouncil.co.uk/news/procuring-for-value/>

Anglian Water's programme is defined in five-year Asset Management Periods (AMPs), typically investing £4.5bn in each AMP, covering replacement and refurbishment of above and below ground assets. Historically, projects were delivered in a largely transactional manner with Anglian tendering works and selecting the most economically advantageous proposal. AMP 3, whilst successfully delivering the required outputs through a partnering approach, was felt to be less effective than it could have been. With AMP4 requiring a further focus on efficiency, effective solutions and customer service, Anglian Water decided to shift to a different delivery model, developing both its capability as an asset owner and more effective relationships with its partners.

A review of best practice across different sectors and an identification of the underpinning best practice characteristics led to Anglian adopting a strategy based on more integrated and collaborative working and the development of long-term supply chain relationships. These relationships were aligned directly with Anglian Water's customer outcomes, which had already been defined through a process of engagement and consultation with customers. Partners were selected against their capability to deliver these outcomes and incentivised to deliver improvements against historic baseline performance. Anglian and the main partners were brought together in an alliance. This alliance, as an integrated and collaborative organisation, was engaged at outcome level, not at project or scope, giving partners and the wider supply chain the opportunity to develop

more innovative solutions and to challenge standards.

The alliance team is the integrator, developing strategies for how the programme should be delivered and driving improvement initiatives. The partners that make up the alliance, along with Anglian Water, are shareholders that generate a return by outperforming historic benchmarks for delivery of outcomes.

All parts of the alliance work collaboratively, taking a best for task approach to the development of integrated teams. The alliance manages the wider supply chain, with a longer-term framework used to develop more effective relationships and secure earlier involvement of the right suppliers. As with the main integrator, framework suppliers generate a return by delivering value against historic baselines, not by delivering work or providing hours.

An example of the alliance acting as integrator was in the development of product-based delivery. The alliance was able to shift from the historic project approach, recognising the opportunity to translate repeatability within the programme into standard products and components and to use a 'product catalogue' as the starting point for delivering the programme. This created significant value when compared to a previous approach that amplified variance and redesign at all levels, including unique project-led solutions and multiple variations of critical components.

This was allied with a digital transformation strategy which has seen the alliance design and build everything virtually, including rehearsing and optimising construction in virtual rehearsal suites before going to site. Not only has this shifted delivery from construction to assembly but it has also provided health and safety benefits through off site construction of products. Digital transformation has also led to more effective engagement with users and operators, with greater involvement in the virtual development of solutions improving operability and operator buy-in. The progress of digital rehearsal demonstrates the value in

delivering through integrated teams, where all the influential parts of the wider supply chain are involved in optioneering and solution development.

2. Ministry of Justice Framework Alliance: Cookham Wood and HMP Berwyn Trial Projects and Five Wells Construction Playbook Case Study

- Cookham Wood: <https://www.gov.uk/government/publications/procurement-trial-case-study-cookham-wood-prison>; <https://housingforum.org.uk/reports/quality-and-standards/stopping-building-failures/>; <http://www.constructionleadershipcouncil.co.uk/news/procuring-for-value/>
- HMP Berwyn: <https://constructingexcellence.org.uk/case-study-ministry-of-justice-new-prison-north-wales-two-stage-open-book/>
- Five Wells: sourcing.programme@cabinetoffice.gov.uk

The Cookham Wood, HMP Berwyn and Five Wells projects were supported by multi-party framework alliances that had been credited in the 2012 Effectiveness of Frameworks Report with achieving reduced operating costs of £10 million, reduced burden on industry of £30 million and procurement risk mitigation of £2 million.

The Cookham Wood and HMP Berwyn Trial Project case studies showed how strategic ESI combined with the integrated use of BIM and MMC helped project teams to achieve efficiency savings of up to 26%, reduced construction programmes, design innovations and more sustainable project solutions, appointment of local and regional supply chain members and new local skills and employment opportunities. Comparable achievements are being demonstrated on the Five Wells project which is a Construction Playbook case study.

HMP Berwyn is one of the largest prisons in Europe and its team included Lendlease, AECOM, Sweett Group, WYG, Capita Symonds, TPC Consulting, Hoare Lea and Crown House who worked together during a 38-week preconstruction period to develop ESI contributions to design, risk management and the finalisation of agreed costs. MoJ applied lessons learned from the Cookham Wood Trial Project which enabled additional benefits from BIM and greater ESI contributions from tier

2 and 3 supply chain members, including a specific focus on local and regional SMEs.

From a budget of £212 million, the team agreed innovations and efficiency improvements that led to a fixed price of £157 million without eroding the quality or function of the project. These included:

- A reduced footprint for the Entry Building/ Energy Centre, using lessons learned from the MoJ framework's Oakwood Prison project and from consultation with operational colleagues
- Challenging the original costed design to incorporate an open 'swale' in place of an attenuation tank, creating a new environment for wildlife while reducing construction costs
- Value engineering of the mechanical and electrical solution, leading to adoption of alternative cheaper lighting solutions previously used on MoJ framework projects in Scotland and now used throughout the MoJ estate.

The co-located team overcame significant challenges caused by asbestos, soft ground conditions and the remains of an old munitions factory. It also reworked the construction programme to avoid delays caused by a General Election, and managed shortages in precast through sourcing from multiple European manufacturers.

3. Connect Plus DBFO: Trial Project Collaborative Framework

- <https://constructingexcellence.org.uk/case-study-connect-plus-highways-m25-england-sustainable-business-culture-model-two-stage-open-book/>

Connect Plus created integrated teams under a collaborative framework to deliver a £350 million highways asset management programme using Two Stage Open Book within the 30-year concession. The teams comprised Connect Plus (M25) and Highways England (clients), Jackson Civil Engineering, Aggregate Industries, Lafarge Tarmac, Balfour Beatty, (Geoffrey) Osborne, Skanska UK (main contractors), Atkins Consultancy Services, Flint & Neill, Parsons Brinckerhoff, Connect Plus Services (lead designers and contract managers) and Temporal Consulting (collaborative change consultant).

Connect Plus created and implemented an innovative Sustainable Business Culture Model through which it agreed efficiency savings of 8% together with design improvements to reduce whole life costs and improve long-term reliability. The culture promoted continuous improvement dialogues, including a collaborative cost review, ensuring that good practice was repeated and that lessons were learnt and applied to subsequent projects.

Connect Plus established a Balanced Scorecard process to allow the whole supply chain to input into monitoring performance across the Connect Plus community. The supply chain members were regularly invited to score performance against these objectives by reference to critical success factors. Scores were given on a 1 to 12 scale, allowing the whole M25 community to give feedback on the programme, understand areas of strength and improve areas of weakness.

The Balanced Scorecard approach enabled Connect Plus to understand and measure progress towards its declared objectives of:

- Creating and maintaining a group of directors and facilitators empowered with the skills and behaviours to support and lead the cultural change and role model collaboration
- Delivering a whole life approach
- Minimising the impact of maintenance works
- Maintaining project facilities
- Enhancing knowledge of project facilities
- Respect for the environment
- Reduced risk.

4. Department for Work and Pensions: Job Centre Plus Framework Alliance

- <http://www.ebuildingcontracts.co.uk/wp-content/uploads/2017/09/10-Year-Anniversary-PPC-and-5-Year-TPC.pdf>

A fast-track programme of office adaptations was undertaken through a framework alliance set up jointly by Department for Work and Pensions (DWP) and Land Securities Trillium (LST), using standard designs, materials and equipment adapted to a wide variety of different buildings. The objective was to create an efficient contract structure to enable a quick start on site, utilising model processes and contract documents to streamline a nationwide programme.

The framework programme subdivided England, Wales and Scotland into multiple districts, and a supplier was appointed to undertake works in each district. DWP and LST wanted to ensure cross-pollination between districts, and this was achieved through a single multi-party framework alliance contract entered into between all 14 contractors and the joint clients. DWP and LST also wanted to create a fully integrated supply chain to support the roll-out programme, and specialist framework agreements were negotiated in parallel with key subcontractors and suppliers.

Strict timetables were agreed to govern both the preconstruction and construction phases of each project. The framework alliance used cost reimbursement combined with incentives that linked cost savings to the future award of work, and the final cost was £737 million against a forecast of £981 million, achieving savings of 24.8%.

5. Scape Framework: Archbishop Beck School Trial Project

- <https://www.gov.uk/government/publications/procurement-trial-case-study-archbishop-beck>

The Archbishop Beck Sports College Trial Project had a value £15.9 million (pre-savings) and comprised the construction of a new build school by Liverpool City Council, Willmott Dixon Construction, Sheppard Robson, and key supply chain members Mouchel (structural, mechanical & electrical), D Morgan (groundworks), A&B (M&E specialist works) and Cara & Metsec (steel frame).

The Council selected Willmott Dixon through the Scape Framework, seeking to improve on timescales achieved by the same team on the Notre Dame School project, and prioritised engagement of local businesses and local employment and training opportunities. The project achieved 60% local spend compared to 50% on Notre Dame.

Cost savings of 26% were agreed, from a rate of £1,950 per square metre for a comparable project to a rate of £1,438 per square metre, through:

- Lessons learned from the Notre Dame School project
- Innovations through ESI with Willmott Dixon and tier 2/3 supply chain members.

6. Property Services Cluster: Trial Project Framework

- https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/325955/Property_Services_Cluster_-_Case_Study_CE_format__120614.pdf

Hampshire County Council, Surrey County Council, Reading Borough Council and West Sussex County Council created a multi-client schools framework alliance with a total value of £119 million. The contractor partners Osborne, Miller and Mansell were jointly appointed through a mini-competition and formed a Cluster Delivery Team (CDT) which collaborated to share resources, information and supply chains. The team aimed to establish common designs, elements and components and, subsequently, common supply chains.

All contractors jointly engaged with existing and potential tier 2 and tier 3 subcontractor and supplier partners to identify the pipeline of opportunities available, allowing those subcontractors and suppliers to contribute to cost efficiencies and provide added value through early engagement. The team agreed efficiency savings of 7% and additional benefits that included:

- Effective engagement of the tier 1-3 supply chains members by and through the CDT
- Greater and more accurate market intelligence through sharing knowledge (cost trend data and avoiding supply chain overload)
- High levels of stakeholder satisfaction across the programme
- Delivering opportunities for skills training and new apprenticeships.

7. Environment Agency Collaborative Framework: Rye Harbour Trial Project

- <https://www.gov.uk/government/publications/procurement-trial-case-study-rye-harbour>
- <https://constructingexcellence.org.uk/case-study-environmental-agency-next-generation-supplier-arrangements-collaborative-delivery-framework/>

The Rye Harbour Trial Project comprised the £9.6 million replacement of a harbour wall by

a team comprising Waterways / Environment Agency (client), Jackson Civil Engineering (main contractor), Halcrow, EC Harris (project manager), Arcadis (cost consultant), Arcelor Mittal (steel sheet pile supplier), Team Van Oord in partnership with Jackson's (civil engineering) and Commercial Marine and Piling (subcontractor).

The project involved the replacement of a failing structure / steel sheet pile retaining wall as part of the Environment Agency's flood defence programme. The Environment Agency adopted Cost Led Procurement pursuant to their existing framework which enabled them to generate savings of 6% and also to progress from business case to project completion in 14 months.

In order to manage the constraints of a tight timeframe combined with protection orders on the site and working on a live harbour, the client, consultants, contractor and tier 2 and tier 3 supply chain members collaborated to find new solutions which led to:

- Precious intertidal plants from the salt marsh being transplanted, avoiding loss of vegetation
- Natural England accepting the habitat created at Rye Harbour Farm as mitigation for the mudflats lost when the team had to drive approximately 1000m of piling
- Close working with marine ecology teams preventing any lost mudflats from damaging the environment and saving money in waste disposal
- Jackson Civil Engineering and Team van Oord (tier 2) proposing a vibro-piling innovation which reduced noise on site so that birds were not disturbed and so that the team could work through the bird breeding season. This innovation avoided de-mobilisation and remobilisation costs of £117,000 and led to the programme time being reduced.

8. SCMG Hackney Homes and Homes for Haringey: Trial Project Framework Alliance

- https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/325951/SCMG_Trial_Projects_Case_Study_CE_format__130614.pdf
- <https://housingforum.org.uk/reports/quality-and-standards/stopping-building-failures/>

Hackney Homes and Homes for Haringey (together SCMG) created a multi-client, multi-contractor framework alliance to deliver their £240 million housing improvement programme, working with Mulalley, Keepmoat, Mansell, Lakehouse, Lovell and Wates, and with a wide range of tier 2 and 3 SME supply chain members (covering 30 different disciplines) under a standardised system of costing and long-term engagement.

The agreed procurement route combined Two Stage Open Book with ESI through strategic Supply Chain Collaboration. The contractors were selected to join multi-party framework alliance contracts which incorporated contractual processes for joint working with tier 2 and 3 supply chain members. Through these systems the SCMG clients and tier 1 suppliers worked with local SMEs and national manufacturers including Veka, Bauder, Sovereign and Birchcroft as integrated teams who together delivered cost savings, improved employment and skills outputs, extended warranties and more sustainable solutions across the framework portfolio.

ESI through strategic Supply Chain Collaboration led to agreed efficiency savings of 16% and qualitative benefits that included:

- Transparent and shared development of standard specifications and basket rates, leading to more efficient pricing and better value
- Supply chain innovations in proposed new materials and development of specifications, such as future-proofing green roofs at no additional cost and upgrading windows from Grade C to Grade A at no additional cost
- Improved quality control through manufacturers' attendance on site
- Exchanges of improved practices between specialist supply chain members
- Extended warranties above industry standards and managed by supply chain specialists, such as windows warranted for 30 years
- Improved repairs and maintenance through, for example, self-cleaning glass on high-rise blocks
- Time savings through quicker build-up of prices leading to earlier start on site

- Employment and skills opportunities such as 46 new apprenticeships over the first 18 months of the Hackney programme.

9. Surrey County Council and Kier Highways: Trial Project Supply Chain Alliance

- <https://constructingexcellence.org.uk/case-study-surrey-county-council-project-horizon-two-stage-open-book-under-tpc2005/>
- <http://allianceforms.co.uk/>

Surrey County Council set up a supply chain framework alliance with Kier and supply chain members Aggregate Industries and Marshall Surfacing to create an integrated team for a five year £100m programme of capital highways and repair works.

Adopting ESI through Supply Chain Collaboration created a culture of collaborative working at all levels of the supply chain and led to agreed savings in excess of 12% sustained over a period of five years in exchange for:

- Visibility and continuity of pipeline of work through larger scale, longer term call-off appointments (5%)
- Advance planning of work on each annual cycle (2%)
- Prompt payment of Marshall Surfacing and Aggregate Industries by Kier (1%)
- Closer involvement in design and planning (2%)
- Availability of storage facilities in Surrey depots (2%).

Agreed qualitative benefits from Supply Chain Collaboration comprised:

- Improved whole life value, including a ten-year warranty for material and pavement design
- Improved quality control through joint risk assessments, agreement of appropriate surface treatments and joint monitoring of work on site
- Improved apprenticeship commitments by Kier, Marshall Surfacing and Aggregate Industries, supplementing employment and skills commitments already agreed by Surrey and Kier in accordance with the CITB Client-Based Approach

- Lean programming of individual tasks leading to time savings
- Innovation through collaborative working, for example to increase recycling and reduce landfill.

Analysis of work on site showed no major remedial work required, no major health and safety incidents and improvements to drainage systems and footways as part of the agreed design solutions. Surrey Highways received over 100 complimentary letters from residents and Council members, having never received any before.

Surrey and Kier then agreed to extend their highways maintenance contract, subject to Kier re-procuring its supply chain in order to deliver the strategic goals of:

- Increasing collaboration between Surrey, Kier and the supply chain
- Achieving the objectives of the Surrey Business Plan
- Demonstrating value for money, targeting a 2.5% saving
- Developing a sustainable supply chain through to 2021.

Kier created an FAC-1 supply chain framework alliance with tier 2 and 3 supply chain members in each work type committed to:

- Adopting and participating in ESI with an agreed target of 90% of all projects
- Sharing and/or improving working practices for the benefit of Surrey and the programme
- Implementing social value proposals.

The supply chain framework alliance agreed savings of 8% against prices under the previous contract model plus turnover-dependant supply chain social value that included (i) local supply chains, (ii) increased spend with local suppliers, (iii) local employment/skills development opportunities and (iv) local recruitment.

10. Crown Commercial Service: Transitional Consultant Framework Alliance

- www.allianceforms.co.uk

In 2017 Crown Commercial Service procured consultant frameworks with a total value of £2.8 billion covering multi-disciplinary project

management and full design services. In addition to each supplier signing a two-party bespoke framework contract, CCS led the creation and management of a multi-party alliance contract through which the appointed suppliers worked together in finding ways to deliver better value services to Government clients. Crown Commercial Service entered into an FAC-1 framework alliance framework with Aecom, AHR Architects, AMEC Foster Wheeler Environmental and Infrastructure, Arcadis, Capita, Faithful & Gould, Gleeds, Kier Business Services, Mace, McBains, Mott McDonald, Ridge, Turner & Townsend and WYG. The agreed objectives were to deliver improved value for framework clients by:

- Sharing and monitoring best practice intelligence
- Sharing and monitoring learning between projects and programmes of work
- Establishing, agreeing and monitoring consistent and more efficient working practices
- Agreeing and monitoring techniques for better team integration
- Agreeing and monitoring improved procurement and delivery systems on projects and programmes of work
- Sharing and monitoring other improvement initiatives created with contractors and other supply chain members.

The consultant alliance members developed shared best practice and consistent approaches to early contractor involvement and BIM. The agreed success measures and targets were:

- Evidence of progress and completion of alliance activities by the alliance core group, by Special Interest Groups and by alliance members, in accordance with the agreed FAC-1 Timetable
- Enhancement of the reputation of the framework
- Additional users of the framework
- Additional work awarded by users of the framework.

Annex 4 Creating a Gold Standard Framework Contract

A Gold Standard framework contract describes the relationships, provisions and systems through which the framework provider, clients, managers, suppliers and supply chain members implement:

- The Construction Playbook requirements for a ‘successful framework contract’ (p.42)
- The ‘framework contract’ recommendations in Annex 2 in respect of each of the themes drawn from Construction Playbook cross-cutting priorities and compact with industry
- The ‘framework contract’ recommendations in Annex 2 in respect of each of the themes drawn from Construction Playbook policies and recommendations

This Annex 4 links the components of a Gold Standard framework contract to the above requirements and themes.

Construction Playbook Principles for Successful Framework Contracts	Components of a Gold Standard for Framework Contracts
<p>An outcome-based strategic brief that drives economic, social and environmental value with strategic supplier proposals for delivering that brief.</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Construction Playbook policies, safety, net zero carbon, Compact with Industry (Section 3) ■ Framework leadership, management and integration (Section 6) ■ Frameworks, SMEs and social value (Section 7) ■ Frameworks and commercial pipelines (Section 8) ■ Framework market health and capability assessments (Section 9) ■ Framework portfolios and longer-term contracting (Section 10) ■ Harmonising, digitising and rationalising framework demand (Section 11) 	<p>Provide an outcome-based framework brief that explains the framework strategy and the required and desired outcomes, including the framework provider’s and clients’ technical, management and other commercial requirements in relation to the framework programme, their approaches to design, costing, risk management, programming, MMC, digital technologies and ESI and their commitments to the delivery of net zero carbon, social value and all other expected outcomes.</p> <p>State the committed and planned pipelines of work and any minimum value or type of project contracts that will be awarded to suppliers so that they have a clear picture as to the level of certainty in the flow of work.</p> <p>State any exclusivity granted to suppliers and any adjustment of exclusivity according to achievement of agreed targets.</p> <p>Provide commercial protections for suppliers in respect of exchanges of information by means of mutual intellectual property rights, confidentiality and data security in respect of shared information and the use of digital technologies.</p>

<ul style="list-style-type: none"> ■ Further embedding digital technologies through frameworks (Section 12) ■ Framework ESI and Supply Chain collaboration (Section 13) ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Delivery model assessments for frameworks and framework projects (Section 15) ■ Effective framework contracting (Section 17) ■ Evaluating frameworks and call-offs (Section 21) 	<p>State which proposals and other information provided by a supplier are the exclusive property of that supplier and which can be used for the benefit of the framework</p> <p>State the rights and obligations of the framework provider, clients, manager and suppliers to use:</p> <ul style="list-style-type: none"> ■ The outputs from Supply Chain Collaboration and other framework activities ■ Lessons learned on other projects. <p>Provide flexibility for clients to reflect their specific requirements.</p>
<p>Multi-party relationships that align objectives, success measures, targets and incentives with commitments to joint work on improving value and reducing risks</p> <p>The Playbook recommends that a successful framework <i>‘should be based around principles that align objectives, success measures, targets and incentives so as to enable joint work on improving value and reducing risk’ (p.42).</i></p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Construction Playbook policies, safety, net zero carbon, Compact with Industry (Section 3) ■ Framework leadership, management and integration (Section 6) ■ Frameworks, SMEs and social value (Section 7) ■ Section 8 (Frameworks and commercial pipelines) ■ Framework market health and capability assessments (Section 9) ■ Framework portfolios and longer-term contracting (Section 10) ■ Further embedding digital technologies through frameworks (Section 12) ■ Framework ESI and Supply Chain collaboration (Section 13) 	<p>State the commitments of the framework provider, clients, manager and suppliers to aligned objectives, success measures, targets and incentives, and consider how a multi-party framework alliance contract can support this alignment.</p> <p>State the commitments of the framework provider, clients, manager and suppliers to implement joint work on improving value and reducing risk, to a timetable of agreed actions, to a shared risk register and to a joint decision-making forum, and consider how a multi-party framework alliance contract can support these systems.</p> <p>Integrate the relationships and commitments of the framework provider, clients, manager and suppliers, with the facility to add additional clients and suppliers by agreement at any time.</p> <p>State the scope and duration of the framework, the clients who will use it, the commercial pipelines of work it will govern, the range and types of work within its scope and how that work will be awarded.</p> <p>State:</p> <ul style="list-style-type: none"> ■ The objectives for which the framework is created and a system of early warning, consultation and action plans if the objectives are not fulfilled ■ The outcome-based success measures/ KPIs which determine the success of the framework and are used to measure the performance

<ul style="list-style-type: none"> ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Delivery model assessments for frameworks and framework projects (Section 15) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) ■ Framework mechanisms for payment and pricing (Section 19) ■ Framework relationship management (Section 23). 	<ul style="list-style-type: none"> ■ The agreed targets for each success measure/KPI, the method of recording relevant data, the party responsible for measuring against that data and the system for reporting to other clients and suppliers. <p>Include a shared risk register recording the commitment of the framework provider, clients, manager and suppliers to risk management actions and setting out:</p> <ul style="list-style-type: none"> ■ The nature of each risk, its likelihood and impact on the framework programme, on achievement of the agreed objectives and success measures and on the progress of agreed value improvement activities, including any anticipated financial impact ■ The framework provider, clients, manager and suppliers responsible for each risk management action ■ The agreed risk management actions, including actions to reduce the likelihood of each risk and to reduce its financial and other impact ■ The agreed periods or deadlines for completing those actions.
<p>A timetable of strategic systems to improve integration and outcomes, for example using MMC, digital technologies, ESI and Supply Chain Collaboration</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Construction Playbook policies, safety, net zero carbon, Compact with Industry (Section 3) ■ Creating a Gold Standard action plan (Section 5) ■ Framework leadership, management and integration (Section 6) ■ Frameworks, SMEs and social value (Section 7) ■ Harmonising, digitising and rationalising framework demand (Section 11) ■ Further embedding digital technologies through frameworks (Section 12) 	<p>Include a shared timetable setting out how and when the framework provider, clients, manager and suppliers will seek improved value and stating:</p> <ul style="list-style-type: none"> ■ Agreed deadlines, gateways and milestones for achieving framework objectives and success measures ■ Agreed deadlines, gateways and milestones for value improvement activities, including Supply Chain Collaboration ■ Timescales for the contributions of the framework provider, clients, manager and suppliers to value improvement activities, including the nature, sequence and duration of the agreed actions of each party and any consents or approvals that are pre-conditions to subsequent actions.

<ul style="list-style-type: none"> ■ Framework ESI and Supply Chain collaboration (Section 13) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) ■ Framework mechanisms for payment and pricing (Section 19) ■ Framework relationship management (Section 23). 	
<p>Framework pricing systems and incentives that provide a fair return for suppliers and that drive value rather than a race to the bottom</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Construction Playbook policies, safety, net zero carbon, Compact with Industry (Section 3) ■ Framework leadership, management and integration (Section 6) ■ Frameworks, SMEs and social value (Section 7) ■ Framework ESI and Supply Chain collaboration (Section 13) ■ Framework benchmarking and Should Cost Models (Section 16) ■ Effective framework contracting (Section 17) ■ Framework mechanisms for payment and pricing (Section 19) 	<p>Provide for framework prices and proposals to be submitted confidentially by each supplier in response to the framework brief, on the basis that these are binding only between the framework provider, clients, manager and the supplier who submits them.</p> <p>State the system for agreeing project prices, for the use of Should Cost Models and for agreeing costs established through framework activities.</p> <p>Include options for framework prices to state the fees, profit and overheads of suppliers and to state separately the net costs comprising the framework prices and the agreed prices for each project.</p> <p>State prompt payment commitments and requirements at all levels of the supply chain.</p>
<p>Transparent performance measurement and work allocation procedures</p> <p>The Playbook recommends that a successful framework should provide <i>‘transparent performance measurement and work allocation procedures’ (p.42).</i></p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Framework leadership, management and integration (Section 6) 	<p>State the links between work allocation procedures and performance incentives.</p> <p>Consider how a multi-party framework alliance contract can improve the transparency of performance measurement and work allocation procedures.</p> <p>State a shared system of open performance measurement and rewards.</p> <p>Set out the procedures for awarding contracts for projects and programmes of work.</p>

<ul style="list-style-type: none"> ■ Frameworks and commercial pipelines (Section 8) ■ Framework market health and capability assessments (Section 9) ■ Framework portfolios and longer-term contracting (Section 10) ■ Outcome-based approaches to frameworks and call-offs (Section 14) ■ Delivery model assessments for frameworks and framework projects (Section 15) ■ Framework benchmarking and Should Cost Models (Section 16) ■ Effective framework contracting (Section 17) ■ Evaluating frameworks and call-offs (Section 21) 	<p>State the template project documents to be used in each award procedure and make clear:</p> <ul style="list-style-type: none"> ■ The standard form JCT2016, NEC3, NEC4 or PPC2000/TAC-1 contract conditions to be used for call-off ■ The structure and standard components of each project brief ■ Proportionate requirements in respect of insurances and securities ■ Processes and procedures for managing communication, performance, quality, design, supply chain engagement, costs, payment, time, change, risk, health and safety, in each case including the required approaches to MMC, digital information and ESI ■ Requirements in respect of net zero carbon, social value, operation of the completed project and engagement with stakeholders and users ■ The required structure and content of agreed prices and other project proposals forming part of each project contract
<p>Management systems that support collaboration and avoid disputes</p> <p>See also the Gold Standard for:</p> <ul style="list-style-type: none"> ■ Framework leadership, management and integration (Section 6) ■ Effective framework contracting (Section 17) ■ Framework risk management and allocation (Section 18) ■ Framework mechanisms for payment and pricing (Section 19) ■ Resolution planning through frameworks (Section 22) ■ Framework relationship management (Section 23) 	<p>Describe the role of an in-house or external framework manager who integrates the work of the framework provider, clients and suppliers and who:</p> <ul style="list-style-type: none"> ■ Implements the project award procedures ■ Monitors and supports achievement of agreed objectives, success measures and targets ■ Monitors and supports achievement of deadlines in a shared timetable and prepares updates of the timetable for approval by the framework provider, clients and suppliers ■ Organises meetings of the core group or the equivalent joint decision-making forum ■ Organises, supports and monitors Supply Chain Collaboration and other value improvement activities <p>Provide for consensus-based governance by a core group or equivalent joint decision-making forum made up of named individuals representing the framework provider, clients, manager and suppliers.</p>

	<p>State the terms of reference for the core group in terms of how it meets and makes decisions.</p> <p>Provide for the core group to be used by the framework provider, clients, manager and suppliers to consider and agree proposals for improved value, to raise early warning of issues, to resolve problems before they become disputes and to consider options for resolution planning in the event of supplier distress.</p>
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Annex 5 Framework Supply Chain Collaboration

ESI through Supply Chain Collaboration is recognised in Cabinet Office guidance as a process which provides opportunities for the framework provider, clients, manager and suppliers to develop standardised, harmonised and aggregated supply chains. It creates longer term, larger scale supply chain opportunities for tier 2 and 3 subconsultants, subcontractors, manufacturers, suppliers and operators in return for improved commitments to efficiency savings and other economic, social and environmental value.

Annex 3 case studies 1, 2, 3, 4, 5, 6, 7, 8 and 9 demonstrate how ESI through Supply Chain Collaboration creates opportunities for tier 2 and 3 supply chain members to improve outcomes, improve value and reduce risks by working with clients and tier 1 suppliers during the preconstruction phase of framework projects and programmes of work.

The Trial Projects summarised in **Annex 3 case studies 8 and 9** also demonstrate how Supply Chain Collaboration strengthens and improves strategic commercial relationships between tier 1 suppliers and their tier 2 and 3 subcontracted supply chain members by creating a supply chain framework alliance which supports:

- Opportunities for supply chain members to develop a better understanding of framework projects and programmes of work through direct dialogue with the framework provider, clients, manager and suppliers
- Opportunities for supply chain members to win more work for longer periods by demonstrating proposals for efficiency savings, other improved value, risk reduction, extended warranties, employment and skills commitments and innovations that improve the sustainability of framework projects
- Opportunities for supply chain members to influence the approach taken by the framework provider, clients, manager and suppliers in calling off the framework projects and programmes of work, so as to improve efficiency and reduce risks in the delivery of specialist works, services and supplies.

Unlocking the potential of Supply Chain Collaboration requires a well-planned approach, using techniques that connect the framework provider, clients, manager and tier 1 suppliers to the specialist supply chain members who undertake crucial aspects of many construction projects and programmes of work. This goes much further than leaving tier 1 framework suppliers to renegotiate privately with their prospective supply chain members.

Clients can use Supply Chain Collaboration to enhance the opportunities for local and regional SMEs to win additional work, by exploring with tier 1 suppliers whether local or regional businesses offer better value than the tier 1 suppliers' intended supply chain members. This system enables the framework provider, clients and manager to influence improved tier 2 and 3 relationships and contributions as part of transparent, strategic sub-contract procurements that are led by tier 1 suppliers and do not require new public procurement processes.

Obstacles to Supply Chain Collaboration may arise where:

- Framework suppliers may resist joint supply chain reviews if they suspect interference in their commercial arrangements with supply chain members
- Framework suppliers may hesitate to undertake joint supply chain reviews if they suspect that clients are not committed to a transparent, collaborative approach
- Tier 2 and 3 supply chain members may hesitate to engage in joint supply chain reviews if they suspect that framework suppliers are not committed to a transparent, collaborative approach.

A Gold Standard framework contract needs to describe the process of Supply Chain Collaboration in sufficient detail to ensure that the framework provider, clients, manager and suppliers:

- Create a clear contractual path through any perceived obstacles
- Comply with public procurement regulations

- Avoid undermining the subcontracts through which framework suppliers manage their supply chains when delivering framework projects.

For example, FAC-1 describes the Supply Chain Collaboration process as:

- 'agreeing through the *Core Group*, if not already set out in the *Framework Brief*, the basis for sharing information between *Alliance Members* in relation to their current and proposed *Supply Chain Contracts* and, if not already set out in the *Timetable*, the timescales for each stage of *Supply Chain Collaboration*
- reviewing and comparing the value offered by each *Alliance Member's* current and proposed *Supply Chain*
- reviewing the potential for more consistent, longer term, larger scale *Supply Chain Contracts* and for other improved *Supply Chain* commitments and working practices
- jointly re-negotiating *Supply Chain Contracts* or undertaking joint *Supply Chain* tender processes, in each case through procedures to be approved by the *Core Group*, to be led by one or more agreed *Alliance Members* and to be organised, monitored and supported by the *Alliance Manager*
- subject to approval by the *Client* and any *Additional Clients* of the *Improved Value* resulting from *Supply Chain Collaboration*, agreeing and entering into more consistent, longer term, larger scale *Supply Chain Contracts* and other improved *Supply Chain* commitments and working practices.'

The FAC-1 definition of '*Improved Value*' includes improved '*Sustainability*' which comprises '*measures intended to reduce carbon emissions, to reduce use of energy and or natural and manmade resources, to improve waste management, to improve employment and training opportunities, and otherwise to protect or improve the condition of the Environment or the well-being of people*'.

The Supply Chain Collaboration activities recommended in Cabinet Office guidance are set out in **Diagram 6**.

Clients, managers and suppliers commit to use Supply Chain Collaboration, under a new or existing framework contract, in order to work with tier 2 and 3 supply chain members to agree longer-term, larger-scale pipelines of work under shared supply chain frameworks in exchange for agreed cost savings and other commitments to improved economic, social and environmental value

Clients, managers and suppliers agree the processes and timetable for Supply Chain Collaboration and consider specialist roles and prospective pipelines of work that would support shared supply chain frameworks with tier 2 and 3 supply chain members

Clients, managers and suppliers agree opportunities for cost and qualitative benefits through Supply Chain Collaboration, including the potential for improved outputs using ESI, MMC, BIM and whole life asset management, and the potential for improved tier 2 and 3 contributions to design, construction, operation, social value and zero carbon

Clients, managers and suppliers analyse the scope and nature of prospective framework projects and portfolios of work for common client outcome-based requirements and the potential for shared supply chain work types to deliver improved mutual commitments, cost savings and other commitments to improved economic, social and environmental value

Clients, managers and suppliers agree harmonised, aggregated and standardised specifications for relevant tier 2 and 3 supply chain work types

Clients, managers and suppliers engage with current tier 2 and 3 supply chain members in each agreed work type and explain the Supply Chain Collaboration processes and opportunities

Suppliers create and distribute enquiry documents to prospective tier 2 and 3 supply chain members in each agreed work type, describing the commitments of clients, managers and suppliers to longer-term, larger scale pipelines of work and inviting value improvement proposals for each work type

Suppliers, in collaboration with clients and managers, evaluate proposals
And interview prospective tier 2 and 3 supply chain members

Suppliers, in collaboration with clients and managers, agree shared supply chain frameworks with selected tier 2 and 3 supply chain members, incorporating agreed cost and qualitative benefits including improved outputs using ESI, MMC, BIM and whole life asset management, and including tier 2 and 3 contributions to design, construction, operation, social value and zero carbon, and stating how these benefits are adjusted according to the award of longer-term, larger scale pipelines of work under framework project contracts and supplier sub-contracts

Diagram 6: Sequence of Supply Chain Collaboration activities

Annex 6 Sources of Relevant Guidance

- Construction Playbook: Government guidance on sourcing and contracting public works projects and programmes (2020) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/941536/The_Construction_Playbook.pdf
- British Standards Institution ISO 44001: Collaborative business relationship management systems - Requirements and framework (2017)
- British Standards Institution ISO 19650: Organization and digitization of information about buildings and civil engineering works, including building information modelling (BIM) (2019)
- Cabinet Office: Cost Led Procurement Guidance (2014) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/325012/Cost_Led_Procurement_Guidance.pdf
- Cabinet Office: Integrated Project Insurance Guidance (2014) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/326716/20140702_IPI_Guidance_3_July_2014.pdf
- Cabinet Office: Two Stage Open Book and Supply Chain Collaboration Guidance (2014) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/325014/Two_Stage_Open_Book_Guidance.pdf
- Construction Innovation Hub: Value Toolkit (2021) <https://constructioninnovationhub.org.uk/value-toolkit/>
- Construction Leadership Council: Procuring for Value (2018) <http://www.constructionleadershipcouncil.co.uk/news/procuring-for-value/>
- Effectiveness of Frameworks (2012) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/61157/Procurement-and-Lean-Client-Group-Final-Report-v2.pdf
- Housing Forum: Stopping Building Failures (2018) <https://housingforum.org.uk/reports/quality-and-standards/stopping-building-failures/>
- Infrastructure and Projects Authority: Project Initiation Routemap (2014) <https://www.gov.uk/government/publications/improving-infrastructure-delivery-project-initiation-routemap>
- Infrastructure and Projects Authority: Mandate (2021) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/949868/IPA_Mandate_2021.pdf
- Infrastructure Client Group: Alliancing Best Practice in Infrastructure Delivery (2014) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/359853/Alliancing_Best_Practice.pdf