

## Newbuild Framework 2022/23

### Further Stakeholder Consultation

#### 1 BACKGROUND

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



## 2 STAKEHOLDER CONSULTATION

- 2.1 We want a framework structure that will work for our members, for contractors, for consultants and for MMC manufacturers. We want these stakeholders to help us plan how a new CHIC framework should be structured.
- 2.2 CHIC is also working to achieve the Gold Standard for public sector construction frameworks.
- 2.3 This follow up “round table discussion” from July, sets out CHIC’s proposals for the new framework and how it will work. The event was attended by 34 members, consultants and contractors. This paper summarises the outcomes.
- 2.4 As background to the round table event, CHIC circulated a briefing note which set out:

### OBJECTIVE

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

### KEY ISSUES

#### THE WHAT

##### CONTRACTOR SERVICES

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

##### HOUSE MODULE MANUFACTURERS

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

##### MATERIAL MANUFACTURERS AND SUPPLIERS

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

##### CONSULTANCY SERVICES

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



## REGENERATION

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



### 3 STAKEHOLDER DISCUSSIONS

3.1 Discussions were held around four round tables, each chaired by a CHIC Team Member.

3.2 At each table were stakeholders representing:

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

together with representation from Trowers & Hamlins who are CHIC’s legal advisers.

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

**TABLE 1**  
*Framework Lots, Workstreams & Participants*

#### CONCLUSIONS

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

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

Concern was raised about main traditional contractors possibly choosing to work with organisations that are not on the framework.

The framework needs to be transparent and equitable.

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

Concerns raised about small volume work being unproductive and not feasible. Savings are created by economies of scale.

Traditional manufacturers should be able to work with MMC providers on Lots



on the framework.

It was explained that suppliers could be awarded multiple lots across the framework.

Proposed numbers for Lots were considered high given the current MMC manufacturing base in the UK. However some companies may apply for multiple Lots. CHIC was asked to revisit assumptions.

The cost of MMC is governed as much by transportation, costs reduce if multiple modules can be delivered to site using the same transport.

## TABLE 2

### Tender Cost Models

## CONCLUSIONS

### Framework pricing on consultant cost models to include:

1. Feasibility, pre-construction and separate construction stages.
2. The scope of works needs to differentiate between these 3 stages.
3. Scheme sizes (1-5,6-10,11-15 etc. up to 30) – lump sum price per contract.
4. Scheme sizes (31-40, 41-50, 51-75, 76-100, 101-150 and 151+) as a price per unit.
5. Pricing for additional development, turnkey development, development and regeneration and development lead schemes separately.
6. Hourly and daily rates by consultant.

In all, typically for each workstream, there will be 12 pre-construction and 12 construction stage prices/rates each for c.6 scheme types (lump sums for unit prices) plus 8 time charge rates.

Volumes and calculations will be included within the pricing model to create values for scoring.

30% of total score will apply to cost in the framework award.

A separate sheet will be available for consultants to apply percentage adjustments for geographical variations, by county/local authority.

Geographical variations to be supported.

### Contractor cost models to be completed and submitted by Lot/Workstreams and inputs to include:

- (a) Pre-construction service rates (x9) and time charge rates (x9)



- (b) Central office overheads and profit – a single percentage
- (c) Preliminary rates (x39)
- (d) Building SOR (x24)
- (e) External SOR (x120)
- (f) External services SOR (x17)
- (g) Drainage SOR (x44)
- (h) Standard housetype – 1 bed flats (x 8 rates for superstructure and 26 rates for options)
- (i) 2 bed bungalows – as above
- (j) 2 bed house – as above
- (k) 3 bed house – as above
- (l) Standard house types repeated for each of brick and block, timber frame and fully modular construction, where relevant
- (m) CHIC materials itemised lists included – no pricing required

Scoring will be 30% of the total framework score.

Tender cost model will include pre-set volumes and calculations, to determine tender summaries.

Summary pricing will be scored individually as sub-sets of 30% overall score.

Cost models for different contractor workstreams will be mainly consistent, so when tendering for multiple workstreams, bidders can copy and paste from one cost model to another.

### Price Framework

Needs to include for BCIS cost increases based upon the index from the date of the tender to the date of the call off contract being approved.

Need to allow variations to any tendered rates or the addition of new items or new rates, subject to open book scrutiny of the prices provided and to an independent VFM check by a cost consultant.

For Lot 3 in particular, we need to be explicit that the scope could be far reaching with costs assessed on a VFM basis, including cross subsidy etc.

Need to include provision for costs to be adjusted over time, as standards change.





**TABLE 3**

*Framework Agreement (FAC-1) & Forms of Contract*

**CONCLUSIONS**

It was debated whether FAC-1 is the right form of contract. It was agreed it was, however, the fee structure and clauses need amending. Data protection and the role of CHIC and KPI's need considering also.

The call off contracts are likely to be JCT PCSA and JCT D&B

The transfer of risk was considered. An agreement for early contractor involvement needs to be looked at. Clients don't want uncertainty.

We need to consider what guarantees are put into the contracts.

When there are multiple suppliers we need to consider who the liability sits with.

Damages in the new contracts needs to be considered.

There are some standard contracts but we also need some bespoke ones for certain Lots.

Who undertakes the construction management – would it be the client, the manufacturer or the contractor?

The lender will not look at the NMPC if it is incorrect.

Suppliers need to be assessed for less risky businesses.

Third party accreditation was raised as a concern.

**TABLE 4**

*Managing the Framework, once established*

**CONCLUSIONS**

Formation of the Core Framework Group – there was a suggestion that sub sections are created.

The group needs to be a mixture of members, contractors and consultants to give a rounded level of feedback. Also possible tenant involvement/feedback was suggested.

Round table meetings to be held four times a year at locations dependent on which members are active at the time. Also possibly incorporate these meetings in to site meetings. These meetings need to be set at the beginning





of the year to ensure maximum attendance.

There was a concern raised that members would prefer virtual meetings and so it was suggested to incorporate these meetings with core speakers to encourage face to face attendance and possibly make them CPD friendly.

Mistakes need to be discussed and lessons learned as to how they were overcome.

KPIS' need to be considered from both members and contractors view points.

When MMC manufacturers are involved it is important to discuss what went wrong but also what went right to get a balanced view.

Addressing problems early or before they go wrong is the right way to go.

The environmental aspect is also an important consideration.

For members the key is to deliver social value but not necessarily pay for it directly.

A lot of MMC providers already include social value as a standard delivery.

More consideration needed as to how we monitor social value.



## FINAL CONCLUSIONS

### THE HOW

#### PROCESSES

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

#### STANDARDISATION

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

#### CALL OFF

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

#### COLLABORATION

CHIC sees this new framework as more than just an opportunity to create a compliant procurement solution. We want framework stakeholders to be prepared to work together to share knowledge, learning, expertise, design and market intelligence to drive forward the MMC agenda in particular.

#### DURATION

It is proposed the framework will run for an eight year duration. This will set it apart from other frameworks.

#### FORMS OF CONTRACT

CHIC proposes to use the FAC-1 Framework Alliance Contract. This is the first standard form of Framework Alliance Contract and combines the workflow of a framework with the relationships, values and processes created by an alliance.



## THE WHERE

### OVERALL GEOGRAPHY

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

### GEOGRAPHICAL LOTS

The framework will be structured on both a geographical and project size basis.

## COST MODELS

### FRAMEWORK TENDER

Cost models to be divided into Consultant and Contractors and will have three stages – feasibility, pre construction and construction.

### COST MANAGEMENT

Will include for BCIS cost increases based upon the index from the date of the tender to the date of the call off contract being approved.

Provision will be made to adjust costs over time as standards change.

## 4 NEXT STEPS

- 4.1 CHIC needs to address all issues raised and incorporate into the working documents.
- 4.2 CHIC needs to issue procurement documents for all Workstreams and Lots by the end of the year.
- 4.3 The forms of contract need to be agreed and shaped accordingly.
- 4.4 The procurement process needs to be concluded by the end of March 2023.
  - **Step 1** – further member consultation, via a survey
  - **Step 2** – CHIC to develop the suite of procurement documents
  - **Step 3** – final consultation prior to launch.
- 4.5 The aim is to launch the new framework at the CHIC conference in May 2023.

## 5 THANK YOU!

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



