End of Term Report
iESE Tier 1 Framework
Major Schemes and Programmes of work
2011
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Executive Summary

This report reviews the philosophies and objectives at the outset of the five year term of the framework, [1 year of development plus 4 years in full operation] measures the successes, the lessons and identifies five key ways to improve.

The expectation at the outset was to achieve a construction value throughput in the order of £200m per annum. Yet in fact the framework has procured £1.6bn, represented 63 public sector organisations, out-performed traditional approaches and delivered to an average of 2% of contract sum, suffered nil claims, performed 14% better on KPIs and delivered £92m of benefits. It has gone on to demonstrate 75% SME engagement, employed 43 full time equivalent apprentices and trainees, diverted 82% waste from landfill achieved very high performance in safety [better by three times the national average] and was easily accessible to the smaller authorities in the region.

This was achieved with a highly proactive framework management team deploying sound working practices and working within an effective governance structure. 12 authorities from County, Unitary, District Council and Emergency services represented the needs of the public sector in The Steering Group. A Strategic Forum of Directors from the framework contractor partners represented the suppliers.

“This is a significant opportunity to build on past success and to learn how to take these arrangements forward, recognising the role that the contractors can play and the importance of reducing cost but maintaining certainty on time and risk.”

Andrew Smith - Chairman, National Improvement and Efficiency Partnership (NIEP) Chief Executive, iESE

Aim of this Report

The aim is to report on the success achieved in the full operating term of The Regional Construction Framework against the objectives set at the outset in 2005.

added value benefits to date of

£92m

against target of £65m
The philosophy was founded on the principles of partnering advocated by Latham and Egan with programmes of work allowing partnerships to grow and build on the intelligence developed, improve the service and product, and to provide reliable estimates of cost and time.

This was embodied in The Two Stage Early Contractor Engagement process and the result is less waste, duplication and redundancy, achieving a range of efficiencies.

This approach moved away from lowest price tendering, advocating long term collaborative relationships between clients, professionals and contractors around shared objectives and common values.

The framework goals were informed by four years of experience of the Hampshire Construction framework from which the objectives were derived and the measurable KPIs determined. This was not determined immediately on set up, rather was a process over time of development, testing & refinement such that not all KPIs were collected until later in the term.

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<th><strong>Client</strong></th>
<th>Improved community outcomes through an efficient and sustainable built estate.</th>
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<tr>
<td>2</td>
<td><strong>Product</strong></td>
<td>A quality and sustainable produce, operating efficiently to the full satisfaction of the user; without adversely increasing life costs.</td>
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<td>3</td>
<td><strong>Process</strong></td>
<td>Processes that are streamlined, easy to use, low cost and encourage appropriate behaviours.</td>
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<td>4</td>
<td><strong>Contractor</strong></td>
<td>Better value contracting arrangements to achieve mutual benefits and improved performance.</td>
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<td>5</td>
<td><strong>Design</strong></td>
<td>Drive improvements to the design process through robust challenge. Standardise the design approach to increase certainty and reduce waste.</td>
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The framework was founded to serve the 72 authorities and the wider Public Sector in The South East and was open to The London Boroughs. It was structured to be governed by a representation of these authorities and a twelve authority Steering Group met quarterly through the framework life to advise on the needs, strategy and working practices.

Equally The Strategic Forum was formed of the senior executives from the framework contractors. In 2009, the input of private sector consultants was enabled with the launch of the Consultants framework.

Combined forums were held periodically through the framework life, bringing together the governance groups, consultants and regular users of the framework. These forums provided opportunities to inform the continuous improvement agenda.

The agendas were imaginative and varied, testing subjects such as; when and how to engage the supply chain, how to forge collaborative processes and working, case study presentations and ‘warts and all’ lessons. This helped the framework management team identify key areas where more focus was needed.

Operational governance by the framework management team included monthly meetings with the framework contractors managers.
Set Up

The framework working arrangements were designed in outline & tendered in OJEU Notice 2005/S 217-213558, with the award notice for the 10 successful contractors in September 2006/S-187-198149.

The initial stage was a development period in which selected projects were used to test the working practices, bring issues to the fore, and drive solutions through consensus.

It was originally thought this period would last around two years, and would culminate in a gateway.

In fact, the development period concluded after just 12 months at the 20 July 2007 Gateway with the formal issue of The Guideline and Working Practices, the joint signing of The Framework Charter and the start of the four year term of the framework to 19 July 2011.

“Opportunities to drive new collaborative initiatives are likely to lead to future success, and our energy and experience as public sector Clients is critical to this.”
Myles Milner, Chair
Framework Steering Group

iESE Framework Charter

This Charter is signed by the representatives from iESE, the Contracting Authorities’ Steering Group and the framework contractor’s Strategic Forum.

This Charter recognises the governance and the terms of reference for the framework Board and Management team, for the Steering Group and the Strategic Forum. These have been developed in consultation with our partners during the Development Phase in readiness for the Permanent Phase. They are detailed in the Guidelines and Working Practices document and is complemented by the Framework Agreement and the Partnering Agreement.
Headlines

The last projects to enter the framework will complete in 2014 by when £1.6bn of works over 194 projects will have been delivered across a diverse public sector.

Market Share by Work Type (Sector) - iESE Tier 1 Framework as at January 2012

- Available for **flexible procurement routes**: No restriction on forms of contract
- 97 projects completed and added value **benefits to date of £92m** against the target of £65m
- The workflow grew rapidly and has remained **consistently high since year 2**, see chart opposite
- **63 contracting authorities** accessed the arrangements
- **28 contracting authorities** were repeat users
- **23 contracting authorities** can be described as ‘small’
Market Share by Contractor (Contract Sums) - iESE Tier 1 Framework as at January 2012

Marketing Communications

The marketing strategy integrated:
Print (newsletters, bespoke leaflets, promotional targeted literature, forums and workshops) and online marketing (website and email updates).

The regional framework will complete 194 projects worth £1.6bn
Benefits

Performance against contract
The average project is completed within 2.1% of contract sum and 1.7% of the contract completion date. The graph also demonstrate a high number of projects achieve or better the contract, very few exceed 10% variance and much out perform the benchmarks.

Cashable savings
The regional framework will go on to complete 194 projects worth £1.6bn and is projected to achieve £110m in added value cashable benefits having already secured £92m.

iESE Cost Predictability Average of c. 2%

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<tr>
<th>iESE</th>
<th>Industry Data sourced by *DL</th>
<th>** DBIS (2010)</th>
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<tr>
<td>60%</td>
<td>63%</td>
<td>43%</td>
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<tr>
<td>20%</td>
<td>7%</td>
<td>28%</td>
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<td>15%</td>
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<td>5%</td>
<td>14%</td>
<td>7%</td>
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* DL (Davis Langdon)
** DBIS (Department for Business, Innovation and Skills)
The red, amber and green bands by DBIS standards, and include client variation costs

- More than 10%
- 5.01% to 10%
- 0.0% to 5%
- Below or on contract sum
Competitive tension

Market pricing was maintained with each project being awarded through competitive mini competition, and then each works package being tendered in the open market.

The orange projects in these new build Primary and Secondary School benchmark graphs demonstrate the framework is better than market price, and coupled with consistent delivery, added value benefits, and improved product way out performs the industry.
Accord with Government policy

iESE’s founding philosophy has meant we find automatic accord with much from The James Review and The Government’s Construction Strategy such as integrated teams, reducing transactional costs, volume related discounts and providing visibility of pipeline.

Strong performance and consistent growth

Monthly KPI league tables were used to maintain competitive tension and to promote continuous improvement among the contractors. In comparison iESE projects achieved 14% higher KPIs than traditionally procured projects.

Customer satisfaction

Customers were very satisfied with the service they received, scoring on average 87% in satisfaction surveys.

Nil Claims

Despite a fall in construction output, iESE maintained throughput and has suffered nil claims.

Volume Discounts

The SAVE Scheme delivered £3.2m supply chain volume discounts plus further £1m on furniture and equipment. iESE’s Supply Chain Managers worked with the Contractors and put in place ‘preferred’ suppliers and rates.

Best market rates are still assured as the SAVE supplier still has to win the package in competition against non-SAVE suppliers.

Reducing the incidence of accidents

The contractors pledged to ensure all site supervisors attended a 5 day safety course and their subcontractors a 2 day course. The accident AIR performance was very good with a framework score of 156 which is just one third against the national average of 501.

Accessibility

The arrangements were designed to be accessible by those authorities with fewer resources. Of the 63 contracting organisations, 23 can be classed as ‘small’.

Fair Payment

The contractors have signed up to support the Fair Payment Charter. Monthly recording of payment terms has commenced.

“Our clients appreciate being able to access high quality services quickly without having to negotiate the OJEU minefield. The framework provides a quick and easy route to commissioning services.”

Miles Delap
Gardiner & Theobald

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Active Framework Management

The success has been enabled by the highly proactive framework management team whose focus included:

1. **Collaboration**
   Created the collaborative environment for success and stimulated project team collaboration, value through facilitation of start-up workshops and adhering to the process and set non negotiable standards.

2. **Leadership**
   Driving to achieve the framework goals, coordinating the governance groups [The Board, Steering Group, Strategic Forum], advising client organisations and active management of contractors.

3. **Regular communication**
   iESE met regularly with all the governance groups, monthly with the contractors and consistently communicated with all.

4. **Visible pipeline**
   The healthy pipeline [consistently c.£300m / annum] was reviewed with the contractors at the monthly meetings and opportunities pursued.

5. **Influencer**
   iESE’s arrangements are built on best practice and has been emulated by Improvement and Efficiency Partnerships such as CFSW [Construction Framework South West]. An active influencer, iESE is highly active with the national partnership [NIEP], which is chaired by Hampshire CC’s Chief Executive.

6. **Combined forums and Special Study Workshops**
   Brought together the combined intellect of the client, consultant and contractor / supply chain to determine improvement. iESE facilitated industry expert workshops to drive best practice in value added subjects such as engagement of the supply chain.

“I have enthusiastically attended Combined Forums & Joint Learning events. These are well attended by Clients, consultants and contractors. The debate is lively with a clear desire to deliver improved services to the public sector.

The most memorable and challenging event explored ways to benefit from engaging the specialist supply chain for Client-Led Programmes. The outcomes were excellent, which I have subsequently used to inform discussions with my Clients.”

Phil Bailey Divisional Director Jacobs
White Lion
Community Centre
London Borough of Islington
7. Developing processes
iESE constantly evolved and honed the working practices, such as RACI [Roles and Responsibilities] and CTB [Cost, Time, Benefits]. The NIEP was formed in 2010 and iESE has been able to adapt processes and KPIs to suit the emerging national approach. This included developing the Opportunities Workshop best practice that was introduced by one of the framework contractors. The first time it was used it identified a potential further £250,000 worth of savings for the client.

8. Quality Gateway process
The insistence on adhering to a quality gateway process ensured diligent completion of project key stages and ensured high performance in terms of reliability in delivery. Often iESE attended and facilitated these to ensure objectivity and focus.

9. Supply Chain
iESE mapped the contractors supply chains to identify common suppliers on c.30 commodities and has negotiated volume discounts; The SAVE Scheme. These are made available to all projects through the contractors. Further programme specific aggregation and standardisation opportunities were sought along with multiple sub contractor awards.

10. Champion roles and Adding Value
By identifying key drivers whether political, economic or industry, iESE drove continuous development and improvements through Contractor Champions.

11. Tracked the market with downward movement of OHP
It was important to move with the market and iESE ensured it remained competitive and attractive to clients, by agreeing collectively with the contractors to two voluntary reductions in OHP through the term. This was in addition to annual RPI adjustments of the resource rates.
12. Critical friend
Client authorities and in particular smaller authorities with limited resources valued the freely available support to shape projects and programmes and to establish procurement strategy.

13. Accessibility
Easy to access and ‘lite’ to operate especially for those who possess few resources; the framework has been accessed by shire counties to smaller borough councils to single VA schools. The smaller organisations are reassured by the strength of the framework community.

14. Lessons Learned
Developed a template to capture lessons learned for projects at each gateway review.

"The outputs from the iESE champion workgroups assisted Morgan Sindall in raising our iESE construction project key performance indicator scores.

Indeed we have taken this learning and applied it more broadly to our non iESE activities where appropriate to the benefit of a wider range of clients."

Peter Whitmore
Managing Director - South West
Morgan Sindall
Champion Workgroups

The Champion Work Groups did much to develop the processes which delivered the success. These will be re-instigated in the new framework.

Here is a brief synopsis of what the work groups did:-

Champion workstreams were established in 2007 to drive continuous improvement and align with Government targets and policy.

The groups were formed of iESE framework managers and representatives drawn from the contractors. They sought to optimise the benefits the capital projects offer participating authorities, and the communities they serve. These groups were set the task of continuous framework improvement and to align with established Government policy.

Fair Payment Charter

The Charter was drawn up to the terms of the OGC’s 2009 “Guide to best ‘Fair Payment’ practices” for prompt Client and supply chain payments periods. This was signed by all Framework Contractors.

The charter is being displayed publically at project sites. A measurement mechanism is in place which is to be improved on during The 2nd Generation framework. The signs are there is a high compliance by contractors to sub contractors, and far less compliance by Clients.
Cost, Time, Benefits (CTB) workbook

The group developed the “CTB”, a simple three part tool for Clients to sign off the enhanced outcomes achieved through the collaborative two stage process and the long term relationships forged with the contractors. The outcomes measured are Cost & Time Predictability, financial & wider Benefits such as Engagement of Local SMEs.

The performance reported in section 6 was captured through this tool. A strength of the process is it calls for Clients and / or their professional teams to validate the outcomes. In addition, iESE independently commissioned Davis Langdon for periodic audits of this data.

Strategic Alliance for Value and Efficiency (SAVE)

SAVE is a preferred list of ‘Industry Leading’ Suppliers / Installers which reduces costs for components & materials through aggregation. It is designed to also provide better quality of products and components, reduce installation time on the construction programme, provide more sustainable buildings and to reduce life cycle and FM costs. As it is constantly operating, it is easy to implement on individual projects, a ‘quick win’.

There are approximately 90 suppliers in the scheme across 30 SAVE products which include M&E Products.

A recent case study of Bognor Regis Primary School (see graph below), shows savings of £175,000 across £3m of SAVE packages; c. 5.5%.

“Being part of the SAVE initiative gives the ability to offer the latest technologies and to design and deliver quality products / services. Our success has been achieved coupled with value for money.

The iESE SAVE managers are working to promote even earlier involvement for SAVE suppliers to benefit our clients from further cost and timescale reductions.”

Dave Short
Sales Director
Whitecroft Lighting
Apprentices & Management Trainees

The Strategic Forum in 2007 set a target of one new entrant apprentice per £15m of work, which sets an aggregated target of 30 FTEs. A check balance shows by August 2011, 43 FTE apprentices were employed across the sites.

The NIEP anticipates the future standard measure will be by Apprentice Weeks per £1m works; iESE in this period achieved 9w / £1m (a total of 7665 apprentice weeks).

The champion group focussed on the existing training situation, methods of measurement, industry benchmarks, realistic aspirational targets and seconding apprentices between iESE contractors. Opportunities came through integrating sub-contractors into the training opportunities and developing links with construction courses at Further Education Colleges.

Focus was also on the most in demand apprenticeships being electrical, mechanical, plumbing, carpentry/joinery, brickwork, plastering/dry lining and decoration. Add to this, the contractors employed Management and Commercial trainees and Work Experience opportunities.

There are barriers to apprentice schemes, not least due to continuity of work local to where the apprentices live and the retained employment commitment. Ways to resolve these barriers are being tested, such as a framework ATA (Apprentice Training Association) approach. This seeks to increase participation by pooling part-time apprentice opportunities between the contractors to create a full-time apprenticeship.

Waste

The framework made the commitment to align with WRAP (Waste & Resources Action Programme, the government backed not-for-profit company), to halve the amount of construction, demolition and excavation waste sent to landfill by 2012 and to work with Pathway to Zero Waste. This, and working collaboratively with iESE’s waste workstream, informed best practices, deployed principally through diligent site waste management plans. 355,000 tonnes of waste was created, of which 300,000 was diverted from landfill.

WRAP’s Strategic Forum for Construction 2008 CD&E Waste paper stated that 118 tonnes goes to landfill per £1m of works. The framework target was thus set at 59 tonnes, and is achieving 65 tonnes / £1m, 90% on target.

Despite closing on the target and acknowledging that contractors are in general adept at Site Waste Management Plans [SWMPs], the next step change must come from designers designing-out waste; which reputedly “virtually never happens”. Indeed there is a statutory obligation under the Site Waste Management Regulations for SWMPs to be written during the design stage and for designers to produce Design-Out Waste Logs. Exerting influence on the designer as a contractor is difficult, except in a mature D&B relationship.
Health & Safety

The framework has achieved an impressive safety performance with an aggregated Accident Reporting Rate [AIR] of 146 against the National Average of 502.

This is the result from a number of iESE and contractor led processes:

- Noting that 65% of site accidents are attributable to pre construction activity [or lack of], the two stage process gives the opportunity for project teams & contractors to improve on areas such as buildability, phasing, pre fabrication, site preparation

- The contractors made a framework commitment to train all their site supervisors on a five day course and to train or ensure their sub contractor supervisors have completed a 2 day course

- All site operatives to possess CSCS accreditation which improves occupational competence, quality and reduces accidents

“131,159 man hours without a reportable accident.”

Morgan Sindall
Havant Public Sector Plaza
Case Studies:

Client: Royal Borough of Kingston Upon Thames
Project Value: £32m (All Projects)

Project Manager: EC Harris, TFT Consultants, Keegans
Architect: IID, ECD, Trevlyn Tanner Architects
Contractor: Kier Regional, Willmott Dixon
Contract Period: 76 Weeks (Max)

Project Description

To address the Pupil Places shortfall The Royal Borough of Kingston upon Thames is procuring a permanent expansion of a number of primary schools for 2011 and 2012; the Primary Expansion Programme (PEP). The programme is worth £32m, spread in varying amounts across nine schemes, four of which were awarded in July 2010 to Kier Regional London, with the remaining five to Willmott Dixon Construction. All primary schools remain operational during the works.

Achievements

- 26% cost savings delivered
- 5% GIFA floor space saved on each school
- Continuity of the Programme Leaders and Project Managers from concept designs to site
- Collective team had experience in all disciplines, no learning curve required
- Good organisation and Leadership from weekly Core team meetings
- Positive Team ‘Can do’ attitude
- Clear communication strategy and Stakeholder Engagement Strategy
- Constructive Design team meetings
- Team approach to identify budget solutions
- Designers’ worked to collaboratively to common goals, and scoped components for standardisation
- Unification of procurement processes and Use of iESE’s mini competition process to engage specialist sub-contractors early to enable optimisation of specifications
- iESE framework procurement saved £75k in OJEU process costs
- Sub-contractors aggregated pricing of the programme of works
Client: One School Pathfinder
Project Value: £251m (All Projects)

Project Description
In early 2007, iESE invited authorities with One School Pathfinder projects to align and procure them through the Major Projects framework. iESE facilitated meetings to highlight the benefits of this route and the aggregation of the projects into a single programme. By year end, eight authorities had agreed to use the Major framework as a delivery route for their projects; and one project in 2010.

The collective construction cost for the projects was £251m against the client budgets of £261m, with the teaching facilities all delivered between late 2009 and late 2010. Being a short time span, this represents a lot of concurrent work and a rapid flow of work to the market place which iESE actively managed with the contractors.

Achievements
• £10m saved from client budgets where
• Original Total Client budget was £261m, and anticipated total final accounts is £251m
• Cost and Time: +1.1% contract cost ~ national average. +7.5% and +0.4% contract time
• Added value: £11m
• SAVE Scheme: Procurement £840K and FFE £1.2m
• Waste Diverted Landfill: 76%
• Accidents: 5 RIDOR accidents and c. AIR of 50 ~ national average 781
The New Framework

A new framework agreement for procuring construction projects of more than £1m in value went live on 20th July 2011.

The framework is open to 250 named authorities and the wider cross section of public bodies in the South East and London. It offers a choice of eight construction partners, [all working to a set of collaborative guidelines]. They will work to a set of collaborative guidelines, informed and improved by the 5 years in operation of the framework original, with the principle objective of driving efficiencies and service improvements.

It has been created and managed by Hampshire County Council as lead authority on construction and asset management for Improvement and Efficiency South East (iESE) and replaces the original framework. The new framework will continue to be based upon a strong ethos of collaborative working building on the good practice developed through its predecessor.

However, there is a change of emphasis to delivery of demonstrable cashable efficiencies coupled with an ambition to group projects into programmes and offer even greater value for money for public-sector clients.

Procuring construction projects using the framework will also support a public body’s commitment towards localism and sustainability.

iESE is giving particular focus to

Five Ways to Improve:

1. **Benchmarking** within iESE and embrace the NIEP benchmarking exercise
2. **Earlier Contractor Engagement** as too often after designs are well progressed to RIBA D+ and beyond
3. **Procurement Strategy** considerations brought forward in mini competitions
4. **Projects into Programmes** Further the encouraging trend for clients to cluster small projects and support the emerging innovative multi authority clusters
5. **Optimised Standardisation** particularly in programmes and clusters, and link to resources, supply chain & SAVE
Contact us:

For more information about how iESE could help you with your construction plans, please contact the team.

Please also contact us if you would like a copy of this newsletter in an alternative format such as large print or braille.

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