



## Taking Advantage

How SMEs can become successful  
framework contractors





## Preface

We often overlook the impact of local government spending on local and regional economies. Together, local authorities spend around £42 billion a year on buying goods and services from the private sector and the largest proportion of this by far – some £14 billion – is spent on construction.

Local government has made huge strides in procuring and delivering construction projects in recent years. The principles behind Rethinking Construction have been successfully embedded in many projects as local authorities have taken advantage of framework arrangements to bring home projects to a higher standard, in a shorter time and at less cost.

But has this desire to raise standards and deliver efficiencies been at the expense of small and medium-sized enterprises? Put simply, are SMEs losing out to the big boys?

As this excellent report highlights, not if local authorities consciously build in strategies for smaller businesses to take advantage of framework arrangements, either directly or via the supply chain.

This strikes at the heart of the new agenda for local government. Local authorities are being asked to lead the notion of place-shaping and with sustainability increasingly concerned with economic wellbeing, the report illustrates how local authorities can use framework arrangements to actively support regional and local economies.

So, the message is clear. SMEs need not lose out from framework arrangements, but both local authorities and SMEs themselves must adapt to the changing environment.

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## Foreword

'Transforming Local Government Construction - The Power of Framework Agreements', commissioned in 2006 by the East Midlands Centre of Excellence, showcased current examples of local authority construction frameworks covering housing, general building and highways. It showed the contribution that frameworks can make to the drive for increased efficiency in local government construction procurement, and what the leaders in the field are doing to derive maximum benefit from their frameworks.

It did not consider in any depth the impact of frameworks on smaller and medium sized contracting enterprises (SMEs). It was nevertheless apparent that some authorities had taken SME interests very much into account when developing their frameworks.

The Department of Trade and Industry (DTI), now the Department for Business, Enterprise and Regulatory Reform (DBERR), commissioned the Local Government Task Force (LGTF) in this follow-up exercise to examine more closely the impact of frameworks on SMEs. The focus is on experience from the local government sector.

This study reviews the work of five local authorities which have given particular thought to the interests of SMEs in the development of their frameworks and the experience of six contractors involved in frameworks. They have all been identified through LGTF networks. It is not a survey and it does not intend to suggest that those featured are the best or only authorities or contractors pursuing this agenda.

The result is a representation of what they have all done as an illustration of experience and as an indication of possibilities. It is set against a background of changes in construction procurement over the last ten years whose effects are often viewed as steering SMEs' traditional public sector work towards bigger contractors.

Without derogation from such concerns, this study shows that a good deal can be done to further SME interests from frameworks where, in both clients and contractors, the will to do so exists.



## Executive Summary

Construction frameworks are often seen as being for larger organisations and larger contractors. Examples from both larger and smaller authorities however show that SMEs too can become successful framework contractors.

Frameworks can offer many benefits. Their efficiency potentials make them a favoured procurement vehicle to government, and to those auditing value for money in the investment of public funds in construction.

Although measured data on the use of frameworks is not available, anecdotal evidence suggests that their impact is being experienced widely across the construction industry. Many SMEs see the erosion of their traditional markets as clients with programmes of construction investment explore frameworking as an alternative to single project tendering.

Frameworking has introduced new demands and complexities into the process of procuring construction programmes. It has impacted on the roles of all parties to the construction process and the skills they need to operate successfully in a collaborative, performance based environment. The challenges are likely to be more keenly felt by smaller companies.

SMEs make a positive and important contribution to their local economies. Local authorities' statutory obligations in relation to the economic wellbeing of their areas provide a legislative background to initiatives supporting SMEs.

Clients aware of the potential difficulties that frameworks present to SMEs can employ a number of strategies to help ameliorate their consequences. These proceed from initially determining where SME opportunities will arise between supply chain, specialist and general contracting roles. Market consultations will help to assess local interest levels and identify obstacles to participation. Project size banding and selecting the optimum number of contractors will influence the take-up level by SMEs. Simplifying processes and management arrangements will reduce burdens on smaller firms. The provision of appropriate training coupled with relevant skills accreditations can help SMEs to enter and become successful in the framework arena.

Building on their inherent strengths of flexibility and economy, SMEs can take a number of steps to improve their prospects. These are dominated by accepting the need to work in new ways, committing to and constantly reinforcing the culture change required for frameworking and acquiring the requisite skills and competencies. Larger contractors can provide training and support to assist SMEs as members of their supply chains.

It is in clients' interests to package work in a way which stimulates interest and encourages competition at all levels. Smaller contractors must determine their strategies for market engagement. Within their chosen limits, it is possible for them to be successful contributors in framework-based construction procurement.



## Introduction

The view is sometimes expressed that construction frameworks are for larger organisations and for larger contractors.

At first glance, the local authority sector might appear to confirm this market generalisation. Its early framework adherents certainly include a number of county and metropolitan authorities with large construction programmes. Their framework partnerships feature a mixture of national and regional contractors capable of matching their skills and aspirations.

Closer inspection however reveals that SMEs are by no means excluded from the picture. Local government perhaps appreciates their value in the local economy more than any other construction client. Examples from both larger and smaller authorities show that much can be done to encourage and assist SMEs to become successful framework participants. What is also evident is that where effort is invested in SME involvement, frameworking can deliver construction efficiencies plus a number of important local economic benefits.

This study has focused on five authorities which have recognised that improved efficiency and SME involvement are not mutually exclusive. They have encouraged SMEs to participate in their frameworks. It analyses how they have done this and what has been accomplished by their efforts.

It also considers the experience of six contractors. They share a commitment to collaborative working, to performance improvement and to training. They all appreciate the benefits of frameworking and the value of SME inclusion. Their experience ranges from small companies coming to terms with the issues and challenges facing those newly exposed to this form of procurement, to substantial regional companies enlarging on a decade of involvement in partnering and frameworking.

The resulting report will be widely distributed in the industry amongst local authority and other construction clients, and contractors' representatives to:

- ▶ promote the benefits of SME inclusion in construction frameworks
- ▶ describe steps available to clients and contractors through which SME inclusion can be more easily effected
- ▶ provide illustrations and contacts from successful local authority clients and contractors willing to share their experiences
- ▶ point towards some of the systems of training and support used by contributors to develop the skills and capabilities needed for successful involvement in construction frameworks.



## Background

### The Arrival of Construction Frameworks

Current practice in framework agreements has followed developments in construction procurement encouraged by the thinking of Sir Michael Latham in his report 'Constructing the Team' (1994) and by Sir John Egan in 'Rethinking Construction' (1998).

Traditional procurement in both building and engineering works, dominated by low cost tendering, was all too frequently characterised by time and cost overruns. It often produced relationships which were both defensive and adversarial, adding to waste and increasing costs.

Latham and Egan advocated a collaborative basis to construction team relationships around shared objectives and common values. With everybody working together, ambitious targets for improvements in performance were proposed covering time, cost, defects, customer satisfaction and health and safety. Collectively they held out the prospect of enormous gains in efficiency across the whole industry.

The application of these principles started on single projects procured around partnering agreements, expressions of collaborative intent supporting aspirations to improve performance. Measurement of performance on early demonstration projects confirmed a range of improvements as clients, contractors and designers began to embrace the new philosophy. The benefits obtainable through single

project partnering were however limited when at the end of the project the team was disbanded, and its collective knowledge and experience was dissipated. It was also impossible to bring the supply chain into the same collaborative performance regime over the life of a single project. With sub-contractors and suppliers perhaps contributing as much as 70% of the total value, the largest part of the project was untouched by partnering principles limited in application to the client, consultant and main contractor team. To fully integrate the supply chain under the same principles required a longer association.

Frameworking, or the tendering of a programme of projects to the same construction team over a predetermined period of time, offered a solution to both problems. It enabled the client/contractor partnership to develop and improve. It also provided the work continuum through which the supply chain could be integrated, bringing its own experience and innovative capability to the programme in return for continuity of involvement.

### Construction Frameworks and Local Authorities

The adoption of construction frameworks in the local authority sector has invariably been driven by service improvement agendas. Objectives include increasing client choice and achieving better designed buildings delivered with more assurance in respect of cost and time. They are also used to secure better value for money, increase purchasing power and reduce

transaction costs, overheads and waste. Many authorities have recognised that frameworks make it possible to add value in a number of other important ways through increased local employment, material sourcing, sustainability and reducing whole life costs. The Latham/Egan principles are frequently quoted by those seeking less adversarial contracting relationships and continuity, bringing improved service and greater efficiency.

The objectives are therefore about improving building procurement processes and securing a range of outputs and service gains through agendas not limited narrowly to cost-saving considerations. What the more developed frameworks have demonstrated however is that their improvement potentials also include significant cost reductions. In the ongoing search for efficiencies which since Gershon, and the influence of comprehensive spending reviews, have been turned into challenging targets, such savings can make a valuable contribution.

Pressure from Government has also played a part. Central government departments have moved in the same direction. The National Audit Office and the Audit Commission have recognised the contribution which frameworks can make to achieving construction efficiencies. Their reports have added persuasively to the weight of opinion favouring framework use by bodies whose construction programmes are reliant on public funding.

## Successful Frameworking

Frameworking is not an easy option. It entails a lot of work. It requires resolute leadership and commitment. It puts enormous demands on clients, designers and contractors. They must all be willing to embrace serious organisational and cultural change. It will not succeed without a continuous flow of projects around which to plan progressive improvement targets. Securing its potential benefits requires mutual trust and respect between the participants, a willingness to challenge their own performance openly and to learn from their mistakes. In the public sector, tenders will be subject to compliance with European procurement regulations and in particular the Consolidated Procurement Directive's provisions for framework agreements, adding further levels of formality and complexity.

Successful frameworking is about creating productive collaborative relationships. Many authorities commence with market consultations, bringing potential partners together for informal discussions and information sharing. Tender documents will specify key requirements supported by questionnaires from which experience and capacity can be documented and assessed. Both clients and contractors will invest heavily in evaluation processes from which both will want to emerge having identified partners with whom they can develop associations which will deliver their collective objectives.



Selecting the main contracting partners is however only the beginning. The construction partnership will need to agree the management arrangements through which it will operate. These will feature procedures and forums through which every aspect of the framework is governed.

Management groups will cover at the very least, individual project direction, work allocation, personnel and project performance assessment, supply chain development and the strategic management of the partnership. Frameworks developed for the delivery of housing programmes will invariably include tenant liaison forums.

Frameworking changes the culture and traditional roles of participants in the construction process. Clients will be more closely engaged and have much more contact with contractors doing their building. Designers will relinquish some of their traditional role in specifying and detailing to contractors whose experience will be employed in identifying efficient construction solutions. Full integration of the supply chain will bring the knowledge and experience of key suppliers and subcontractors to bear in these early formative stages.

Contractors will become important contributors in management forums, directing and evaluating the performance of the framework at all levels. They will be involved in value engineering and securing value for money, whole life cost studies, the promotion and

implementation of local sustainability initiatives and contributing to corporate social responsibility agendas which will involve them in levels of community engagement beyond anything encountered in traditional contracting. Frameworks involve contractors in activities requiring capabilities going well beyond the management of construction site operations, and the provision of trade skills.

## The Implications of Frameworking

A client committing to frameworking is in effect making a statement of intent to the world of contracting which says:

- ▶ We intend to do things differently
- ▶ We want to develop longer-term collaborative relationships with our contractors to deliver programmes of projects
- ▶ We are committed to obtaining service improvement, increased efficiency and better value for money through target-setting and a regime of structured performance evaluation and management applied equally to ourselves and our construction partners
- ▶ We want to develop integrated supply chains with our key suppliers and subcontract partners and benefit from their experience and innovative capacity in return for an assurance of an ongoing role in our programmes

- ▶ We want to identify those who share our vision and aspirations and who have the skills, experience and will to commit to working with us to achieve our and their objectives.

This presents contractors with some challenges, and invites them to address some fundamental questions:

- ▶ are they interested and able to work in the way this implies or willing to go out and acquire the skills it requires or
- ▶ do they reject it, seek alternative opportunities, and accept the possibility of a reduction in their potential market?

Major contractors and many regional companies have acquired experience in bidding for larger schemes awarded through evaluation of both cost and qualitative data. Many have honed specialist skills relevant to operating in a particular sector of the market. Their skills and experience provide them with a strong basis from which to approach the practical challenges of framework submissions, assessments and delivery.

Such capacities are much less consistently available amongst smaller contractors. Their businesses are more usually built around trade skills backed by basic estimating and business management capabilities. For them, frameworking introduces demands going well beyond what they need to sustain established operations in their traditional markets.



## The Growth of the Construction Framework Market

Frameworking has a relatively short history. It commends itself to clients involved in programmes of projects which include repetitiveness in type, style and detailing of buildings and components. It has become a favoured procurement form in the commercial sector, for central government programmes, and amongst housing associations. Local government also includes a number of authorities with growing records of success in the development and operation of frameworks.

There is nevertheless no measured data from which it is possible to quantify the volume of work procured through frameworks as a percentage of the overall construction market or to chart its rate of growth over time. There is no evidence indicating how much work is now managed under frameworks and what proportion of that work may in the process have moved from SMEs to larger contractors. This study does not attempt to answer these questions.

Trade surveys are indicative only, and do not provide a comprehensive picture from which definitive conclusions can be drawn. Most comment is anecdotal, drawn from the perceptions of companies and individuals.

The National Federation of Builders (NFB) surveyed its members in early 2007 on the effect of changes in public sector building procurement on their businesses. It reported that some 69% of respondents obtained work from the public sector.

For 46% of them this represents less than half of their turnover. 32% reported a reduction in their public sector work over the last five years and 83% of them attributed this to 'changes in public sector procurement practices'<sup>1</sup>.

The NFB survey concluded that SMEs were experiencing a downward trend in the availability of public sector work. Distinctions were not made between local authorities and other heads of public sector work like health or defence. It was not clear whether the reduction was attributable to the wider use of frameworks, or to a combination of factors including the influence of the efficiency agenda and reductions in public sector budgets<sup>2</sup>.

In the absence of measured data it is probably fair to say that the use of frameworks has grown to a sufficient proportion of the market to make them an influence on tendering opportunities at all levels. Contractors who have chosen not to embrace them or who have not so far been successful in obtaining framework commissions, are likely to be conscious of a reduction in the opportunities available to them under traditional forms of procurement.

<sup>1</sup> Report into the Impact of Public Sector Procurement on SME Companies in the Construction Industry - NFB 2007 p8

<sup>2</sup> Report into the Impact of Public Sector Procurement on SME Companies in the Construction Industry - NFB 2007 Op cit p10



## Small and Medium Enterprises (SMEs)

Under European regulations, a small or medium enterprise (SME) includes any company with less than 250 employees and a turnover of less than £34.00m. Other SME classifications distinguish them by staffing-level sub-groups below 250 employees. These definitions can encompass relatively large bodies operating through discrete regional entities. They also include specialist subcontractors whose particular specialisms are of sufficient uniqueness and distinction to bring work on the largest projects for the most skilled and experienced of the major contractors. But it also covers the very smallest operators, builders with one or just a handful of operatives, whose business skills are often concentrated in a partner dealing with the paperwork at home.

SMEs therefore include a diverse range of industry participants operating in different environments and distinguished by a wide range of knowledge, skills and business capacities. At their best, particularly in specialist areas, they are comparable with the industry leaders in terms of skills and capacity and the potential for innovation and expansion. At the other end of the scale however there are some with sound trade competencies who, in business terms, may be operating at the thresholds of legality.

It is perhaps a term which sits most comfortably with the smaller independent general contractors, distinguished not by size in particular terms, but who have attained the capacity to undertake moderate size projects independently. Many of what are identified as SME issues and concerns, and indeed their solutions, whilst not lacking wider relevance and application, seem to ally themselves most closely to the circumstances of this sub-group. Many of them feel squeezed. They see their markets threatened. They are not comfortable at the prospect of working as subcontractors which they see as regressive.



## The Importance of SMEs in the Local Authority Agenda

### Local Government Act 2000

Local authorities have statutory obligations and powers in relation to the promotion or improvement of the economic well being of their areas which find expression in the Local Government Act 2000. Many local economic policies supported by grants and subsidies are directed at helping to encourage and support local enterprises of various kinds. Regeneration schemes involving investment in construction also represent opportunities for local employment. Many inner city projects focus on areas of above-average unemployment, poverty and inequality whose effects are disproportionately experienced by populations comprising above-average concentrations of social minorities. Legislative imperative therefore underpins many local government policies seeking opportunities to maximise local economic benefit from building investment. The close relationships developed between local authorities and building contractors through frameworks make them an excellent vehicle for the advancement of local economic interests.

### SME Friendly Concordat

The SME Friendly Concordat to which many local authorities subscribe, gives further emphasis to the role and importance of local authorities in helping SMEs in their areas. This non-statutory code is designed to ensure equal treatment of tenderers to local government, particularly SMEs who tend to be under represented in local government procurement. It also provides practical guidance on strategies for

doing so within the regulatory framework to which public sector procurement is subject.

The Concordat also links to the National Procurement Strategy for Local Government. This encourages local authorities to take a holistic view of procurement to help meet their corporate objectives including economic and social regeneration. Local authorities are encouraged to engage with a diverse range of suppliers both directly and through subcontracting, recognising that SMEs are a powerful engine for local economic growth.

Where investment in construction includes the employment of local companies, a range of positive outcomes can result:

- ▶ Local firms employ local residents
- ▶ Local employees spend most of their earnings where they live, potentially recycling their income many times in the local economy
- ▶ Local firms tend to source materials and subcontracted services to other businesses in the same locality, retaining a higher proportion of the derivative economic value in the area and adding to sustainability gains

- ▶ Partnerships between socially conscious authorities and contractors can more effectively use projects as training vehicles for groups often disadvantaged in the wider employment market
- ▶ Local companies are likely to develop positive relationships with clients beyond the contractual minima of the projects on which they collaborate. They are unlikely to walk away from problems. Positive relationships represent an investment in the future
- ▶ Employment of operatives close to their homes reduces work travel distances adding to sustainability benefits.

The utilisation of smaller local companies therefore contributes positively to economic and sustainability agendas, can provide training and employment opportunities, and a range of derivative social benefits. The value of these has been recognised by many authorities. It has generated positive impetus within the bounds of probity and procurement regulations to maximise SME opportunities within their framework projects.



## The Challenges of Frameworks to SMEs

Frameworking enlarges the role of the contractor beyond the demands of 'normal' construction where they revolve around estimating, sourcing and co-ordinating suppliers and sub-contractors, and managing site activity.

Frameworking introduces obligations in detailed design and buildability informed by the outcome of value engineering and whole life cost studies. The contractor must be able to introduce supply chain members into these areas. There will be obligations to become involved in performance measurement and use the results to develop and manage improvement strategies. Another series of demands and obligations arises from involvement in the various management forums through which the work of the framework is planned, controlled, evaluated and directed. The client's wider social, economic and sustainability agendas will often see the contractor participating in initiatives requiring abilities unknown to traditional construction activity.

Forming long-term relationships brings new demands in terms of skills and talents and requires major business and cultural change. These demands concentrate their impact on senior management, which in SMEs is often based in family or past family ownership. They place heavy burdens on smaller contractors who have developed relationships with particular clients working at levels where they are comfortable with the risk involved.

Frameworks supportive of SME interests will be characterised by features recognising and helping to overcome these obstacles, making them more approachable to SMEs, and improving their chances of success.



## Making Frameworks Accessible to SMEs

Various strategies are available to clients developing frameworks and wishing to maximise accessibility to SMEs.

The overriding factor in doing so however must be a constant awareness of the ways in which the process could otherwise adversely impact on SMEs. To this must be coupled a willingness to identify particular areas of difficulty and find ways of neutralising them. Situations from which SMEs are or feel themselves excluded, tend to be the result of insufficient consideration or investment in the effort necessary to remove the barriers to their participation.

It is not acceptable under prevailing procurement directives to confine framework opportunities to SMEs, or to apply selection criteria which restrict entry to locally based firms. When however, essential service standards, costs and management arrangements are evaluated, compliance may be difficult for firms attempting to operate without a local base.

The five local authorities featured in this report have all resolved to support SME interests. They have taken positive steps to identify potential obstacles to SME involvement in their frameworks and to find ways around them. The following paragraphs describe in more detail how they have done so.

The first consideration is where SME opportunities may arise between being supply chain members, specialists or main contractors.

### Supply Chain

Larger authorities wanting to manage substantial programmes of construction investment by working with a limited number of partners through a framework agreement, will necessarily require firms of appropriate experience and substantial capacity. There will be no opportunities for SMEs at this level.

In recognition of this, Birmingham Urban Design focused its agenda for SME involvement on the opportunities in its supply chain. This was reinforced by the policy of promoting local jobs for local people embodied in its framework partnership. The integrated supply chain it has now put in place includes some 61 companies, the overwhelming majority of which are local SMEs.

West Sussex also saw the supply chain as the way forward when moving its highways maintenance work to a single framework contract. Key SMEs among some 40 contractors, many of whom had previously been directly contracted to the County, were successfully accommodated in the supply chain for a term potentially extending to ten years.

The supply chain is the area through which many smaller specialists will naturally find opportunities. Hampshire County Council (HCC) has actively



encouraged specialists with a history of successful association on the County's projects towards supply chain partnership roles.

NPS Property Consultants Ltd (NPS) training initiatives, promoted through 'Build Norfolk', have assisted many SMEs to obtain work through the supply chains of NPS's framework contracting partners.

## Work Banding and Project Sizing

Some authorities have developed suites of frameworks to deliver projects of different sizes, the lower value bands providing opportunities for smaller companies operating as main contractors. Both HCC and NPS have structured their arrangements in this way. HCC has a lower band project size limit of £500k. In the NPS second generation frameworks, the figure will be £300k. The HCC arrangement will be carried through into the regional procurement frameworks it is developing in its role as building work stream lead for the South East Centre of Excellence (SECE).

The Hillingdon Homes' acquired properties framework was by definition created to deliver one-off schemes of domestic improvements anticipating that no job would exceed £60k in cost. Three contractors with turnovers of less than £3.5m annually shared a programme spending £3.3m over two years.

The construction programmes of larger authorities are valued in tens of millions of pounds per year. Analysed in detail however, they contain much work, both general and specialist, where individual project values are very modest. As framework use grows, there are increased opportunities to aggregate groups of smaller projects each costing no more than £30,000 into 'programmes' of particular suitability for SMEs. These can provide a means of prototyping and learning preparatory to extending the experience to more substantial work. HCC is progressively extending SME access to its work by this means. Viewing the local authority sector generally, there is a considerable volume of work suitable for presentation to the market in this way.

Packaging smaller projects into discrete programmes, and looking to smaller firms for their delivery, assists efficiency, and encourages competition amongst those tending to have lower overheads.

## Numbers of Contractors

It has been previously observed that to develop a successful framework requires a steady flow of projects over a period of time to enable the relationship to develop, mature and grow in productivity and efficiency. Most local authorities limit the amount of work allocated to construction contractors working with them to around 25% of each firm's capacity. When applying this principle to SME involvement in frameworking, whether as main

contracting partners or as supply chain members, this will tend to create opportunities for a larger number of smaller firms.

In developing its third tier framework, and to ensure work continuity to successful firms, HCC tendered flexibly so that the number appointed was determined by the relationship between the value of the programme and the combined capacities of the most capable bidders. The SECE framework project will incorporate similar arrangements.

The Birmingham Construction Partnership (BCP) operated on a similar basis. It first identified the trades for which the programme would provide sustainable work flows. Preferred supply chain partners were appointed by relating their combined capacities to work stream values in order to ensure continuity. All successful firms are being awarded projects at the outset. As KPI data accumulates over time, future awards will come to be influenced by historical performance as with the main contracting partners.

## Consultation

When there is a desire to target and attract interest of a particular section of the construction industry, wide consultation at the outset provides a basis from which to plan the implementation of succeeding stages of the initiative. It has been very successfully employed by both BCP and Hillingdon Homes Ltd.

BCP embarked upon a supply chain consultation in November 2004. It was two years before the preferred Supply Chain Partners were appointed. The process helped to identify the level of interest in the market, and provided feedback on the factors which could limit potential take-up of the supply-chain opportunities. The results shaped the way the subsequent tender call, evaluation stages and training and accreditation processes were managed.

Hillingdon Homes used open days very successfully to introduce its acquired properties framework. An earlier much larger framework to deliver a programme of Decent Homes investment on the borough's traditional housing stock had been won by contractors outside the borough. Their supply chains were also populated by outside companies. Hillingdon's consultation process was devised to attract interest and build trust with smaller local companies.

NPS informed its framework development strategies by consultations with the regional office of the National Federation of Builders. NFB members have been successful in the subsequent tenders.

For reasons of efficiency, consistency and safety, the West Sussex Highways maintenance framework moved from 40 companies, directly contracted under 17 contracts, to a principal framework contract and supply chain, and five smaller contracts for specialist services. The consultation process served as a



communication vehicle with existing SMEs and new potential main contracting partners. It also created links between the two groups through which supply chain relationships could be forged.

## Tender Process Simplification

Prequalification stages and the systems of data collection associated with them are unavoidably formal. They are important steps in the tender process providing essential information for checking and validation. Although standard forms of presentation exist, some of which link conveniently into PQQ processes, differences in clients' approaches leave the industry facing a multiplicity of forms of doing substantially the same thing. For construction clients managing programmes of projects, it is easy once a system is developed to apply it widely with little thought to its suitability to the particular situation.

Processes appropriate for larger complex programmes can be excessively burdensome if applied uniformly to smaller firms bidding for smaller programmes.

NPS has critically examined qualification and tender processes and factored them down to the minimum necessary for the purpose. For the lower banded framework aimed at smaller companies, the process has been simplified to capture essential information in the most efficient way.

Hillingdon Homes' tendering arrangements included training days to assist smaller contractors deal with the

formalities of processes with which they were largely unfamiliar.

Both Hillingdon Homes and West Sussex Highways were able to simplify selection criteria in recognition of previously validated compliance with prescribed technical and safety standards.

## Skills Gap Identification and Training

The most important consideration in addressing SMEs' frameworking prospects is the need to identify relevant gaps in their skills and then find a means of overcoming them. Each featured authority has developed its own approach to this.

In Hampshire, the training needs of both contractors and in-house staff arising from its frameworks are dealt with as part of the management forum agenda. Through this it has introduced a modern apprentice scheme in conjunction with main contractors which it intends to extend to minor works contractors and specialist suppliers.

Birmingham favours the use of CIAPS (see Appendix) as a means of competency accreditation linked to a scheme of training and encourages its supply chain members to use this or an equivalent system. The linkages between Birmingham Urban Design and regional development institutions in the West Midlands have contributed to the availability of funding support towards appropriate training. European Regional Development Fund (ERDF) (objective 2) support is

available for construction training in designated areas and this can be supplemented by Advantage West Midlands, the RDA. The combined package could contribute up to £5k of the £7k cost of securing the CIAPS 'endorsed' standard.

Hillingdon Homes' training days assisted contractors to complete basic tender documentation. For skill gap identification it used C-CIT (see Appendix), a process mapping tool developed by CWC Ltd to identify gaps and problems in their systems and capabilities. Training was subsequently developed jointly with its contracting partners and implemented on a self-help basis.

NPS has developed its scheme of training and accreditation under the 'Build Norfolk' initiative. It is connected to Business Link and education programmes run by a local further education college.

## Framework Management Arrangements

Large frameworks are managed through complex organisations. They include many task groups comprised of representatives from clients, technical and professional staff and contractors. They commonly measure performance under the national scheme of KPIs. The combined demands of such regimes would be difficult for SMEs to sustain. SME orientated frameworks tend to operate simpler and sometimes more flexible arrangements which are more relevant to both smaller projects and smaller contractors.

HCC has consciously opted for a simplified gateway process and suite of KPIs in its third band framework from those applicable to bands one and two. Overall governance is through a quarterly strategic forum with the contractor group which reviews workload, capacity, performance and the development of the framework. A steering group comprising the participating authorities provides scrutiny and support for the development of the arrangements.

NPS has reduced the number of key performance indicators to the minimum necessary to capture essential performance information and reduce capacity pressures where they impact most acutely on SMEs.

Cost allocation differences between the SMEs in its supply chain hampered West Sussex in moving to open-book accounting and standardising the levels of profit and overheads in compiling project cost targets. It accepted the risk of cost-plus reimbursement during the process of standardisation and achieving convergence.

Hillingdon Homes' acquired properties framework takes the principle of simplification further than most schemes. It capitalises on the flexible, adaptive and responsive advantages within the reach of small clients and smaller contractors, and employs levels of informality which could not be countenanced on larger schemes. Streamlined management arrangements and project documentation including works orders initially telephoned, enabled the scheme



to mobilise quickly. Hillingdon Homes completed a two-year programme of work in 18 months.

Hillingdon Homes has also been able to accommodate unique levels of flexibility in its management arrangements. It did not establish new framework management systems with its SME contractors. Instead it wrapped its own essential requirements for performance and transparency around the management arrangements which each of its contracting partners already had in place. In doing so it effectively introduced three in-house management systems for the duration of the arrangement.

The resulting framework has produced cost savings, some 25% better than previous rates. Though small, the programme is unique, featuring little repetition in wide ranging improvements to a very diverse portfolio of properties. With so many differences, implementation was always going to be complex and, in traditional terms, uneconomical. Through flexibility, and the high levels of trust and mutual support developed between its participants, it has delivered its programme to high standards and achieved a customer satisfaction level of 100%. It is not perhaps a typical example, but within contemporary local government practice, it stands out as a beacon of what is within the reach of a small flexible client partnering with committed SMEs open to new ideas and new ways of working.

## Succession Planning

HCC's adoption of frameworking for its major project delivery and smaller projects programme was accompanied by a resolution to continue to tender 30% of its work through single project invitations. This serves two purposes.

Firstly it provides a source of current information against which to measure and benchmark performance under its frameworks. Secondly it represents a parallel work stream providing opportunities for contractors and in particular SMEs outside the frameworks. This enables them to gain exposure to and become acquainted with the 'Hampshire' style. The resulting experience improves their prospects with the County when its frameworks are re-tendered as well as with other clients offering framework opportunities. From the HCC perspective, it helps to maintain competitiveness and counter any tendency towards complacency.

It is in the area of succession that the Hillingdon Homes' acquired properties framework demonstrates one of the more imaginative and unpredictable of its outcomes. Two of the contracting partners have gone on to assist other clients to develop frameworks and in doing so, have enlarged the market in which they have become successful operators.



## What Contractors Can Do

It was suggested when considering the implications of frameworking that it presents contractors with some challenges. It invites them to address certain key questions. These include most significantly - are they interested and able to work in the way that frameworking implies, and willing to embrace and sustain the fundamental change of culture which frameworking requires as well as developing the necessary skills, competencies and capacities?

The contractors whose work features in this report, and by implication many others involved with the featured local authorities, have responded with an unequivocal yes.

Notwithstanding their differences in size and levels of experience, they reveal enormous similarities in both their outlook and attitudes. The threads which they share in common find expression in common themes which underpin and direct their approaches:

- ▶ They have seen the way that the market is moving and accept that partnering and frameworks are here to stay. They have shown themselves to be realists, open to new ideas, and most importantly, willing to commit to doing things differently. They appreciate that frameworking brings new commercial opportunities as well as shifting the balance against traditional low cost single project tendering
- ▶ They have recognised that collaborative association through frameworking enables them to add real value for their clients by contributing to projects from inception when value engineering can deliver its biggest benefits. With agreement on risk and cost transparency around agreed preliminaries and overheads, commercial uncertainty is reduced and energy can be concentrated on service quality and fulfilling their clients' aspirations
- ▶ They value working in relationships of openness and trust free from aggravation and dissonance
- ▶ They understand that frameworks offer benefits of considerable value to the contractor as well as to the client, including assured levels of payment and the potential for increased profits. The longer-term workload assurance offered by frameworks enables them to invest in business development and training, and add value in a range of areas which could not be approached with the limited margins and uncertainty accompanying low-cost tendering. They have concluded that the benefits of engagement outweigh the costs of equipping themselves to participate
- ▶ They wish to build relationships with their supply chains which reflect the same principles, recognising that framework potentials cannot be achieved without full integration of the supply chain



- ▶ They have also accepted that sustainability is an issue for all participants in the construction process and that collaborative working is the best way to harness the contractor's contribution to the growing challenges it presents to the industry
- ▶ These motivations are no less powerful in SMEs than in larger contractors. If the practical challenges may appear greater to them, the more thoughtful have also recognised that by playing to their strengths, particularly their flexibility and lower overheads, they actually have some advantages too.

Many contractors have recognised the need for a radical assessment of where traditional operation has positioned them as a starting point for planning cultural and operational changes in a fast moving environment.

The strategies with which Pollards set out on its process of change were basic but crucial. They emphasised communication both inside and outside the business, networking with contacts in the wider construction community and potential clients as a precursor to implementing programmes of training to acquire new skills and abilities.

Keepmoat built their business ethos around customer care and quality, and principles of collaboration, trust and openness before the impetus generated by Latham and Egan. Their training arrangements, which stand as industry exemplars, were an essential part of this. It was appreciated that to deliver consistency in

quality of both service and product to the customer, made it essential that their supply chains were working to the same standards. This has raised the skill level of many SMEs and supported them through the process of developing into successful framework contributors. Their work quality has improved and their businesses have grown larger and more successful.

The contractors featured in this report have all variously enlarged their frameworking skills and capabilities through training and accreditation to industry recognised standards. They have invested heavily in the development and support of their staff. The assistance and support provided by Keepmoat and Thomas Vale towards SMEs working with them has led to the development of comparable skills in their supply chain partners, many of whom are SMEs. But formal training is not the only approach. Having identified their needs, Hillingdon Homes Ltd and its contracting partners trained themselves for success on a self development basis.

The assurance given to contractors' costs under frameworking addresses their most serious concern through to the final account, and removes the biggest source of tension in the client contractor relationship. With overheads, preliminaries and target costs agreed, as Kendall Cross, R A Phillips and P Brady observe, they are able to devote themselves entirely to addressing their clients' interests, and a whole new range of service quality possibilities can come into play.

Major contractors may have greater capacities and more resources, but this does not automatically bring with it any monopoly of progressiveness or imagination. Pollards extended their resource base with access skills to successfully deliver a programme of aids and adaptations. Kendall Cross has grasped the growing significance of the sustainability agenda. By bringing appropriate professional expertise into their resource base to move towards zero carbon, they are demonstrating a real appreciation of its importance on the environmental agenda and the potential of the constructor in the search for more sustainable solutions.

Thomas Vale Construction (TVC) exploits to great effect the potential for investment in business development and improvement which a secure future workload brings. Its pursuit of applications from manufacturing and industry which can add value in the delivery of construction projects is at the cutting-edge of development and innovation in the industry. Its commitment to efficiency extends to helping its supply chain partners with business improvement and on-site process assessments to improve performance and product quality. Forum Training not only represents an impressive investment in skill development but also helps to reinforce supply chain relationships. The TVC Corporate Social Responsibility agenda is a major article of company policy governing relationships with its customers, its employees, its supply chains and the

communities and environments in which it works. The benefits and achievements are underlined through the many industry awards the company has received.

Hillingdon Homes and their contractors, R A Phillips Ltd, P Brady Ltd, and Murrell Estates Ltd, the smallest by far of those included in this report, show what can be achieved by combining the flexibility of SMEs with a real trust in their client and each other through the framework. Their costs were assured and the client's specific requirements fully funded, so their attention could move to quality and to value added. Customer satisfaction rose to 100% and contractors increased their profits. They have established a new level of achievement for 'micro' frameworks and are the ultimate exception to the generalisation that frameworks are the province of large authorities employing large contractors to manage large programmes.



## What can be Achieved when SMEs are Successful

To operate successfully in frameworking, SMEs will have demonstrated comparable capacities to larger contractors. They will be improving performance in terms of cost and time assurance on allocated projects. Their service will be more customer orientated and their projects will have fewer defects. They will achieve better scores in health and safety audits. They will enjoy greater assurance in terms of workload and payment and should also be more profitable. They will also be adding value in other areas of their clients' agendas.

These will include local economic benefits derived from employment, training, commercial relationships and the derivative economic multipliers, including reduced travel and transport all supporting the sustainability agenda in its wider sense.

On an individual project basis, statistics are often produced recording the number of training opportunities provided, local employment generally and employment of under-represented groups in particular. Nevertheless, as in trying to assess the extent and impact of current framework use, there is no overall statistical data available on the contribution made by frameworks to local and regional economic and sustainability goals.

Birmingham is perhaps the first local authority to attempt to measure these 'softer' outputs from its frameworks through a 'Best Value' report currently being finalised. It is hoped that this might lead to the establishment of a valuable industry marker for measuring framework performance, and the benefits of SMEs' participation in them.



## Conclusions

### Summary

Success in construction frameworking is about the creation of effective collaborative relationships. It requires a good fit between clients and contractors and suppliers. This puts burdens of learning on both client organisations and contractors. Frameworks which do not address the challenges they present to SMEs may discourage them from attempting to become involved or reduce their chances of being appointed.

Although not formally audited, the experience of the local authorities featured in this study suggests that in quantitative terms, SMEs have secured similar amounts of work from their frameworks as they did under preceding procurement arrangements.

SME involvement in frameworks will not compromise the efficiency benefits which make them attractive to clients. The flexibility, responsiveness and economies in overheads of SMEs and their wider skill range help compensate for the advantages in terms of size and capacity which larger firms can bring to frameworking.

When SMEs are engaged in successful frameworks, they contribute to the realisation of a range of valuable local economic benefits as well as delivering the normal efficiency advantages. These include gains in local employment and the derivative economic

multipliers, plus sustainability gains. These are of particular importance to the fulfilment of local authorities' wider local economic objectives.

Viewed in terms of their responsibilities for economic well being, local authorities, above all other construction clients, have perhaps the best reason to take the lead in encouraging and facilitating SME entry into their frameworks.

### The Future

Looking beyond individual local authority initiatives, collaborative framework arrangements are beginning to develop around London and in other parts of the country both regionally and sub-regionally, as authorities explore the potential efficiency benefits of collective construction procurement. There will inevitably be implications for SMEs.

Through the SECE project, a collaborative between some nineteen county and unitary authorities, the South East region is at the forefront of regionally based framework arrangements. The fact that it is being resourced and developed on the basis of Hampshire County Council's experience will bring hope that for SMEs in the region, the outcome will be as successful as it has been under the HCC frameworks.

Through the Regional Centres of Excellence, the feasibility of a national roll out of the regional model pioneered by SECE is currently being explored. This



will potentially extend the benefits of frameworking to more authorities on terms sensitive to the interests of SMEs.

One contractor reported that in second generation frameworks, clients were considering the aggregation of work into larger packages, a move seen as unhelpful to SMEs as main contractors. It is the client who sets the agenda and exercises the prerogative to make such decisions. There is a need however to think carefully about the objectives and benefits which are being sought, assess the likelihood of realising them and consider the possible consequences. A presumption that if frameworks are good, then bigger ones must be better, might not always withstand the rigours of this line of scrutiny.

To benefit from the talents of the industry, and to foster competitiveness, it is in clients' interests to package work creatively, and to appeal to the widest spectrum of interest of the market at all levels.

For their part, SMEs must accept that the world of construction procurement is changing and that lowest cost single project tendering will no longer deliver what clients are increasingly looking for. The pressures on them to decide whether to engage with frameworks will not diminish.

Individual SMEs whose experiences are examined here, show that when small companies choose to grasp the challenges of frameworks and become involved with like minded clients, there is much to play for, much to offer and much to gain. In construction, big is not always best. Imagination and resourcefulness when combined with economy and flexibility make a formidable combination. The reality in construction frameworks is that for SMEs, the opportunities are ultimately limited only by the scale of their own ambitions.

## Profiles

This study is based upon an examination of the construction frameworks of the following authorities:

- ▶ Birmingham Construction Partnership (BCP)
- ▶ Hampshire County Council (HCC)
- ▶ Hillingdon Homes Ltd
- ▶ NPS Property Consultants Ltd (NPS)
- ▶ West Sussex County Council

It also draws on the experiences of the following contractors working in frameworks:

- ▶ Keepmoat Regeneration plc/  
Bramall Construction Ltd
- ▶ Kendall Cross Ltd
- ▶ R A Phillips Contractors Ltd & P Brady  
(Contractors) Ltd
- ▶ Henry W Pollard & Sons Ltd
- ▶ Thomas Vale Construction plc

Their work is outlined in the following profiles.



## BIRMINGHAM CONSTRUCTION PARTNERSHIP (BCP)

Birmingham City Council is a metropolitan authority with a population of approximately 993,000 people. The City Council had a revenue (£2.862bn) and capital expenditure (£381m) budget for 2006/07 totalling £3.243bn. Infrastructure spending over the period 2006-2009 for schools, roads, housing, leisure facilities and regeneration will be in the order of £840m.

### Framework Overview

Birmingham Construction Partnership (BCP) includes Birmingham City Council (Urban Design) and its three main contractor partners, Wates, a national contractor and two regional contractors Thomas Vale Construction plc and G F Tomlinson Building Ltd. They were appointed in December 2003, the partnership becoming operational in April 2004. It has a life of five years extendable by two and the OJEU notice was not exclusive to the City Council's work. Projects handled by the framework include new build and alterations valued from £100k upwards to schools, housing (excluding maintenance), offices, historic buildings and buildings for social care and leisure. The Council envisaged placing some £350m value of work over the life of the arrangement, a figure now seen as likely to rise to between £500m and £600m.

### Framework Objectives for SMEs

#### Supply chain

BCP set out to maximise opportunities for SMEs through the supply chain.

#### Economic

Within the bounds of procurement regulations, Birmingham promotes the principle of 'local jobs for local people', a principle referenced in the framework agreement.

#### Training and Accreditation

The Council promotes skill development and capacity building and channels its prospective supply chain partners towards CIAPs (see Appendix). It also promotes the training of apprentices.

## Strategy for SME Involvement, Support and Development

The original framework agreement recognised that the appointment of the partnership's own integrated supply chain required detailed planning taking it further into the future. The partnership relied initially on the contractors' established supply chains.

The process of appointing the BCP supply chain started with an open public consultation with potential trade participants in November 2004. From the publication of the initial notice, the process worked through a series of stages to the appointment of the preferred supply chain members in May 2006.

It was recognised as crucial to their motivation and engagement that supply chain members could look forward to a regular flow of work. Supply chain constitution was therefore limited to those trades shown capable of providing continuous levels of investment. Programme analysis identified these as electrical and mechanical trades individually and in combination, landscaping, aluminium windows and roofing.

Altogether some 60 companies have been appointed with turnovers from £300k upwards. In general Birmingham will not allocate a company work beyond 30% of its capacity. The final number of appointees was determined by relating their combined capacity to the value of work in the particular trade.

Project allocation to supply chain members involves Urban Design (UD), the three contracting partners and the client. It starts with the appointment of the main contractor who in discussion with UD and the particular client makes supply chain appointments having regard to skills, experience, capacity and location. The initial priority is to provide work opportunities to all appointed as supply chain partners, a system which will continue for the next year or so.

Thereafter, as KPI data starts to become available, work allocation will be informed by performance in a manner reflecting the arrangements applied to the principal contractors.

## SME Training and Skills Accreditation

The initial consultative process invited small contractors to talk about their supply chain experiences, both good and bad, in the course of exploring their interest in the Birmingham opportunity. It was also recognised by the Council that not all those who might be interested would bring with them all the skills and experiences necessary to enable them to optimise their contribution.

To help bridge the gaps, Birmingham Construction Partnership promoted a series of training events to help fill knowledge gaps covering such subjects as how open-book accounting works and new regulations.

BCP is committed to the Construction Industry Accredited Performance Scheme (CIAPS) and recommends its supply chain members to obtain CIAPS accreditation. Training for the highest level of accreditation under this scheme, 'endorsed', includes skills specific to operating in a framework environment.

Birmingham works closely with the West Midlands Centre for Constructing Excellence (WMCCE) in training initiatives, with the General Manager of Urban Design occupying a position on the WMCCE Board. WMCCE helps small contractors to obtain CIAPS accreditation and contributes towards the necessary funding. It promotes a variety of training vehicles on such subjects as lean workshops, health and safety and capacity building.

Overall the West Midlands is investing some £6.0m of Regional Development funding in construction training through the WMCCE.

## Apprentice Training

Birmingham actively encourages apprentice training through the framework. Financial support is provided through the WMCCE which acts as a gateway for ConstructionSkills. The Council's economic development unit assists in operating and promoting the arrangement. The BCP actively seeks opportunities to engage unemployed people on projects to provide training in the construction sector.

## What has been Learned from the Experience to Date

### Impact of Frameworks on SME Access to Birmingham's work

It has not proved possible to assess the extent to which the framework has improved or reduced overall access to the City's work by SMEs. Prior to introducing its framework, Birmingham like many other authorities operated a select list of approved contractors. All had opportunities to tender periodically on a generally rotational and performance basis. Some declined to do so whilst others were unsuccessful. Analysis of past tender performance shows that of some 980 firms on the list, only 60 or so were regularly employed by Urban Design, the same as the number of preferred supply chain companies now in the framework. Some of those previously successful are in the new supply chain, but others are not. The change has therefore resulted in some companies gaining whilst others have lost.

### General

In general, contractors seem to have few problems with partnering in the frameworks where specialist works are concerned. Those who seem to experience more difficulty are the smaller independent general contractors.

BCP agreed at the outset to adopt common levels of profit and overheads. This proved relatively easy to settle at main contractor level where accounting practices were very similar. Much wider variances were discovered in the supply chain reflecting different arrangements for cost allocation and accounting. Under open-book principles, variations in preliminaries and overheads translate into differential cost targets. Proposals are being developed to move towards common standards, reducing and eliminating the consequences of this problem.

Where smaller companies may not be able to contribute alone, the option for collaboration provides an alternative approach. The BCP preferred supply chain includes one example of collaboration. Collaboration has proved particularly successful in frameworking when applied to consultancy work.

## Wider Benefits

Birmingham's commitment to SMEs in its framework is based on recognition of a range of other benefits associated with their operation.

### Economic

Birmingham City Council places a high value on local businesses, local employment, training and the sustainability gains from construction investment through the employment of SMEs. Thought is now being given on how to value and quantify these 'softer' spin-offs from the Birmingham Construction Partnership. A 'Best Value' report, now nearing completion in readiness for publication, will provide a basis for understanding the 'Value' benefits from partnering.

### Impact on Cost and Service Delivery

The appointment process explores the skill requirements essential to successful operation in the framework. Training and accreditation arrangements provide a means of developing skills and capacity.

SMEs fulfilling entry requirements will often bring the benefits of lower overheads than larger businesses and greater flexibility in terms of responsiveness.

### **Impact of Employing SMEs on Local Businesses and the Local Economy**

The results are wholly beneficial. SMEs often have local connections which can benefit and be developed through the framework. Money earned by local firms employing local residents tends to circulate primarily in the local economy. As stakeholders in the local economy, SMEs cannot easily walk away from the consequences of their actions.

European procurement regulations do not permit clients to limit opportunities to local firms. Meeting key management and operating criteria, which are likely to be crucial to the achievement of minimum service standards, will tend however to be challenging without a local operational base.

### **Sustainability**

Economic benefits, training and employment opportunities, close links through framework institutions between companies and those on whose projects they work, and shortening travel, all contribute positively to local sustainability. The close collaboration of both main contractors and supply chain partners allows an increased and common understanding of how BCP can drive sustainable solutions from product sourcing, embedded energy, alternative technological solutions and sustaining local communities.

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## HAMPSHIRE COUNTY COUNCIL (HCC)

Hampshire is one of the country's largest shire counties, with a population of 1.24m and an area of 367,860ha. excluding Southampton and Portsmouth. It invests around £100m capital annually on its building estate, which includes historic buildings, schools, libraries, museums, social services buildings and office accommodation. Some £30m is devoted to schools condition related work.

### Frameworks Overview

Hampshire County Council's (HCC) progression into construction frameworks began with its major projects framework in 2003 covering projects and programmes of work from £1m to £30m. HCC is the lead authority in the construction work stream of the South East Centre of Excellence (SECE). In this capacity it has been instrumental in the development of a banded suite of frameworks for wider use within the South East region. The third tier or lower band framework is for projects of up to £500k, the second tier or middle band from £500k to £2.5m with the first tier or major projects framework covering schemes of £2.5m and above.

The third tier band is aimed specifically at contractors who can provide a cost effective delivery through the use of local resources and as such is particularly suited to SMEs. The tiers two and three frameworks have been tendered concurrently on terms which require contractors to choose which framework they wish to

be considered for and preventing them from being involved in both. Similar frameworks are being developed in East and West Sussex and will be available to other SECE authorities in due course.

HCC has committed 70% of its work to frameworks and collaborative working, but has consciously opted to continue to procure 30% of its work on a conventional tender basis using a variety of procurement techniques. This enables procurement routes to be tailored to individual project requirements. It also acts as a valuable benchmark for new arrangements and aids succession planning.

### Framework Support for SMEs

HCC has a policy of support for SMEs. HCC policy on sustainability acknowledges the significance and importance of local communities, and local companies, many of which have given good service over a long period of time. This support is given effect in the implementation of the HCC frameworks by

## **Offering opportunities for local suppliers through Lower Value Banding**

The third tier framework was banded to cater for projects of up to £500k in order that those firms which were best suited to this activity, such as SMEs, could apply. The contract notice was structured so that contractors had a choice between either higher or lower banding (up to £500k).

## **Performance Management**

Whilst KPIs are still applied, the performance management structure for third tier projects is simpler than that applicable to the higher tiers and reflects the specialist nature and scale of the work involved.

## **Supply Chain**

HCC has encouraged specialist SMEs towards supply chain opportunities in its other frameworks.

## **Traditional Tendering and Succession**

The retention of 30% of work traditionally tendered projects provides continuing opportunities for SMEs on a lowest cost basis or best value using conventional processes and documentation. The continuation of opportunities to work on HCC projects singly provides exposure to the County's approach and builds experience which can be applied in future framework opportunities.

## **Strategy for SME Involvement, Support and Development**

The third tier framework was tendered around experience gained on a small-project pilot framework. Following a best value tender process, five contractors were appointed for an initial period of twelve months for a programme of £3m concluding in April 2007. They all had previous experience of working with HCC and were acquainted with the 'Hampshire' style. Project allocation was limited to 25% of their annual turnover. The contractors' combined capacity

determined the number appointed to the pilot to ensure each received a number of projects.

Framework governance was through a strategic forum involving all of the contractors. Within the parameters set by the framework, and informed by particular skills, interests, capacity and geographical considerations, the forum determined project allocations on terms which tended to become consensual.

The forum has been the vehicle for addressing the training needs of both project officers and contractors. Training is being targeted towards individual professional groups with joint training through subject specific workshops.

HCC has successfully encouraged specialists with a history of successful association on the County's projects towards supply chain partnership roles. HCC's approach has also been to develop such arrangements directly with specialists who can provide locally focused sources of supply for a multitude of tasks. This also helps with the development of a strong and sustainable local workforce. Hampshire's approach has therefore been to develop a mixed economy using a full range of key specialists from small SMEs to large national contractors.

## **SME Training and Skills Accreditation**

Training and skills accreditation arrangements are being developed as part of the tier three framework planning process.

## **Apprentice Training**

HCC promotes an apprentice training scheme which is operated in consultation with ConstructionSkills. There are currently 12 apprentices in training with framework contractors. HCC co-sponsors the training. The contractors and HCC jointly determine the course content, manage the programme and fund

the training. HCC funds the provision of participants' first toolkits and contributes towards training costs as an incentive and to help counter the generally high drop out rate to which apprentice training is susceptible. It is intended to extend this initiative to the new tier two and tier three contractors once the longer-term arrangements are in place.

## What has been Learned from the Experience to Date

### Impact of Frameworks on SME Access to HCC's work

HCC believes that its frameworks have not had a great deal of impact overall on the SMEs in its catchment compared to larger firms.

HCC retains a select list of some 120 approved building contractors including many who would be classified SMEs. Analysis has shown that about 40 of these were regularly successful in single project tenders. The number of contractors who currently undertake project work has not been dramatically affected by increased use of framework procurement, but there has been a greater focus on these arrangements for major project delivery.

The third tier framework is targeted specifically at smaller companies and many specialist contractors have secured work in supply chain roles in the larger frameworks.

The retention of traditional tendering preserves opportunities for competitive project awards on traditional terms. It also enables SMEs to gain practical experience of what HCC expects from contractors working with it, leading to greater knowledge of what is expected from future framework tendering opportunities.

Delegated school budgets represent another stream of funding and small project opportunities available to SMEs outside the HCC framework system.

### General

SMEs have proved capable of successfully adapting to the framework style of operation more quickly than the larger contractor organisations. This is attributed to the less complex and demanding projects involved, the greater adaptability and flexibility achievable in smaller organisations and the shorter lines of communication between owners/managers and site operations. In larger firms the commitment of senior and middle managers is unquestionable but instilling the ethos of collaborative working arrangements through large complex organisations and their supply chains takes time.

## Wider Benefits

### Economic

HCC values local companies and the contribution they make to the economic sustainability of local communities. Opportunities for them in the County's programme of investment in construction contribute to the delivery of its policy towards them.

### Impact on Cost and Service Delivery

SMEs have traditionally been recognised as having lower overheads and being cost effective for the work that they set out to undertake. They are also flexible and able to mobilise very quickly in cases of urgency.

### Impact of Employing SMEs on Local Businesses and the Local Economy

SMEs often bring local knowledge and connections. Their involvement in frameworks can build on and reinforce existing relationships.

## Sustainability

Geographical factors are considered in the process of work allocation, which is informed by the desirability of reducing waste in the form of unnecessary travel so far as practicable. Products which are procured locally require less transportation, and packing can often be reduced or simplified.

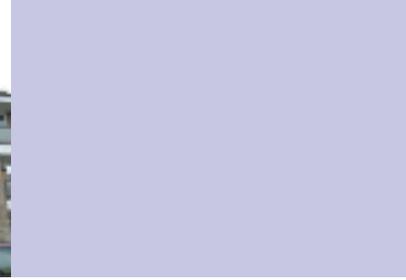
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## HILLINGDON HOMES LTD

Hillingdon Homes Ltd is an ALMO set up by the London Borough of Hillingdon for the management of its stock of 10,600 council dwellings. Its construction framework contracts are managed by a surveyor-led Technical Services Group within the ALMO.

### Framework Overview

Hillingdon Homes' initial framework delivering bathroom and kitchen, and window and door replacements under the Decent Homes programme was won by regional contractors outside the borough. With most of their suppliers and subcontractors also coming from elsewhere, there were no benefits to the many local contractors who had previously worked successfully for the Authority.

A smaller separate Decent Homes work package on a portfolio of 650 acquired properties was considered particularly well suited to smaller companies.

These properties are not situated in defined localities. They are diverse in both type and location, including isolated apartments in separate blocks, privately built Victorian and Edwardian houses, a former mansion and a block of properties in Margate. Many were in need of wide-ranging improvements. The works programme to which they were subject included both

internal and external works extending to wind and watertight and re-roofing. Their disparate locations meant that they could not be managed from a single base and compound, requiring instead, mobile and flexible site management and support arrangements.

The programme was initially tendered for two years with planned investment of £1.5m in year one and a further £1.8m in year two. Individual project estimates ranged from £500 to £60k. Of seven contractors shortlisted, three were eventually appointed. Two had annual turnovers of £3.5m, the other of £1m.

The success of the programme led to its use for a wider range of work including bigger projects. After the initial two years, new contracts were negotiated for a further two years and will complete in March 2008.

## Framework Objectives for SMEs

The Authority tendered the scheme on the basis of its suitability for SMEs and fashioned its approach to give them appropriate incentive and support. The following particular features helped to give effect to this:

### Consultation

Two open days were held to explain Hillingdon Homes' proposals and to obtain feedback from the potential market.

### Tender Process Support

Training days were included as part of the process to assist contractors to complete formal tender documentation.

### Selection and Accreditation

The firms shortlisted had all previously carried out work for Hillingdon. Having therefore already established their business and technical bona fides, they were deemed prequalified, and it was not necessary to include any further technical assessment in the framework tender process.

### Skills Gap Identification and Training

None of the appointed contractors had any previous frameworking experience. With assistance from outside consultants CWC Ltd., Hillingdon applied C-CIT (see Appendix), a process mapping tool to identify gaps and problems in their systems and capabilities. It was subsequently decided to address all training needs on a self-help basis rather than bring in specialists or use external institutions.

### Framework Management Arrangements

Management arrangements were simplified to the maximum possible extent. Rather than invent bespoke systems for the life of a short contract, the client adapted its processes to fit in with the systems the contractors already had in place.

## Strategy for SME Involvement, Support and Development

Hillingdon Homes recognised that the smaller firms which it wished to interest were inexperienced in frameworking. The earlier tender had left a degree of scepticism in local contractors, and in-house staff had to be convinced that the framework plan was viable.

Market consultation was the first step in bringing technical staff and prospective contractors together to explore the challenges posed by the programme and to embark on a process of engagement through which problems could be identified and discussed, and solutions developed.

As small organisations, Hillingdon Homes and its appointed contracting partners were all flexible, adaptable and responsive. The contractors enjoyed wide respect for the level of trust and professionalism they brought to their relationships. Exploiting these qualities was crucial to successfully mobilising and delivering a programme originally established for two years only.

Technical documentation was simplified, reducing the cost of project management and increasing productivity of the in-house team. With growing trust and confidence, works orders came to be initially placed by telephone, shortening lead times and accelerating site starts.

Operational details were agreed through monthly forums attended by clients, technical staff and contractors. Key performance standards were laid down in terms of outcomes and accounting transparency which was all open-book. It was mandated that resident liaison would be managed through the engagement of Resident Liaison Officers (RLOs).

Hillingdon Homes recognised that each contractor would have their own management systems and it was not helpful to prescribe and impose new arrangements at variance with the contractors' established operating methodologies. As client it chose instead to adapt its management processes to what each contractor already had in place. In doing so, it accepted a variable range of internal procedures itself.

The monthly management forum was conceived initially to review performance, address problems, plan the delivery of the programme and address training needs. It has however grown to be a forum for collaboration on a much broader basis.

Experience is shared in terms of technical problems, suppliers, subcontractors and reporting obligations. In a spirit of friendly competitive rivalry, the contractors assist each other as well as confronting the challenges of meeting their clients' expectations. The result is better communication, sharing of responsibilities, and commitment, accompanied by mutual support, trust and respect.

## **SME Training and Skills Accreditation**

Hillingdon Homes' framework experience lay in the Decent Homes package previously tendered, so it was recognised that there were gaps in the knowledge of their staff as well as the SMEs appointed to the acquired properties framework.

The C-CIT analysis provided a valuable starting point. Thereafter, identifying training needs, and devising solutions, became regular discussion items at the monthly management forums. Both in-house staff and contractors worked together to overcome the gaps in each others knowledge and learn progressively together over the life of the agreement.

## **Apprentice Training**

The framework did not put formal obligations on the contractors to employ apprentices but one firm engaged two, and work experience placements have been made available during student vacations.

## **What has been Learned from the Experience to Date**

The interactive approach adopted at the outset, directed at addressing the skill and capacity limitations of smaller firms has resulted in a successful framework populated exclusively by small local contractors totally new to frameworking.

Exposure to the principles and benefits of collaborative working, and the growth in the contractors' confidence, has seen a dramatic increase in the speed of learning and project related benefits over a very short time period. There has been a marked and sustained improvement in their productivity, customer awareness and liaison, and in their management processes.

## **Wider Benefits**

Hillingdon Homes has achieved a number of valuable benefits as a result of the investment it has made in developing the acquired properties framework.

### **Economic**

All the contractors are based in the borough and employ local workers and subcontractors on the projects.

### **Impact on Cost and Service Delivery**

Construction costs have fallen by up to 25% and technical cost savings of similar magnitude have been achieved. The open-book approach has reduced cost pressures, quality has increased significantly and the emphasis has moved to getting it right first time. Customer satisfaction levels have risen to 100%.

External recognition has been gained through the achievement of one Considerate Constructors award and two more are pending.

### **Impact of employing SMEs on Local Businesses and the Local Economy**

All the money spent on construction work procured through the acquired properties framework is recycled through the local economy.

### **Welfare**

The Council is committed to the proper observance of health and safety legislation, the welfare of site workers and other items operating as overheads and paid for from 'preliminaries'. Under the open book approach, there is no longer any incentive to seek ways of cutting corners in these areas. For the contractors, the emphasis has shifted to getting the standard right.

### **Sustainability**

Apart from the economic and employment gains, work travel distances have been cut and there is more awareness of waste which has been reduced across the programme.

### **Succession**

Two of the contractors are using the experience they have gained on the Hillingdon framework to assist other clients in setting up framework arrangements. In doing so they are helping to grow future work markets and widen access to framework benefits.

One of the contractors has also been selected for the London Area Procurement Network (LAPN), a procurement collaborative between London ALMOs with work streams in general contracting, roofing, mechanical and electrical services, aids and adaptations, asbestos and gas servicing.

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## NPS PROPERTY CONSULTANTS LTD (NPS)

In 1992 prompted by reorganisation, the building design department of Norfolk County Council, NPS Property Consultants Ltd (NPS), was constituted as a company wholly owned by the County Council. Norfolk is a shire county in East Anglia with a population of 824,000. Its annual capital construction programme comprises some £52m spent on roads with a further £70m on buildings including both new build and refurbishments.

### Framework Overview

The NPS first generation frameworks were banded in project sizes ranges £100k - £500k, £500k - £1m and over £1m. It was originally planned to engage up to six contractors in each of the lower and middle bands and two in the top band. It was open to contractors to apply in more than one band. In total, six contractors were appointed in August 2003 for three years extendable by up to two. They are all local and regional companies.

Projects managed through the framework include new build and alterations to schools, leisure facilities, buildings for social care and offices. Capital investment was projected at around £50m per year but additional work has taken it to higher levels.

The frameworks are being re-tendered in 2007 when changes will be made to reduce the lower band limit to £300k. In anticipation of a falling capital programme, the number of contractors appointed will be reduced

to five to maintain continuity of work for those in the framework. Where the first generation frameworks were limited to the County's own work, their successors will be available to all public bodies in East Anglia.

### Framework Objectives for SMEs

Elected members of Norfolk County Council were conscious that moving to framework contracts could prejudice the interests of SMEs who had previously given good service to the authority. It was therefore a requirement that the process was managed with concern for the interests of this group. The following reflect the influence of the policy of support for SMEs built into the framework scheme:

#### Low Value Work Banding

The lowest value work band was set at a level to maximise its appeal to smaller firms. It will be reduced further in the second generation framework.

### **Selection Process Simplification**

NPS actively seeks to increase access to tendering opportunities to smaller firms by simplifying process demands to the minimum necessary at each stage to control cost, increase access and exclude unnecessary complexity and waste.

### **Performance Management**

The number of indicators on which NPS collects performance data has been reviewed and reduced to the minimum necessary to capture critical performance information for management and comparative purposes. The intention is to reduce pressure on smaller companies in areas where capacity problems arise.

### **Industry Consultation**

NPS consults locally with the National Federation of Builders (NFB) in the course of developing proposals for its frameworks to ensure that the authority's arrangements are sensitive to SME concerns. Some five or six NFB members successfully partner in Norfolk and there are others capable of doing so.

### **Supply Chain**

NPS actively supports training initiatives through which many SMEs have subsequently secured work with Norfolk's framework contracting partners.

### **Strategy for SME Involvement, Support and Development**

Banding and work allocation processes are framed around SME derived considerations. The new banding arrangement will lead to improved opportunities in the smaller jobs for SMEs. In Norfolk these might undertake jobs over a 50 mile radius. They rely heavily on direct local labour.

Norfolk does not formally specify a work allocation ceiling as a percentage of turnover, but there is tacit acceptance by both the county and the contractors

that it is undesirable for any partner to become too commercially dependent on the framework. In assessing capacity, the county looks not exclusively at project value but also at the number of projects. An award of four £200k projects requiring four site managers can be more demanding for a small firm than one project at £800k.

Common supply chain and programme based procurement arrangements have been put in place offering opportunities for specialist SME participation and supported through Build Norfolk (see below).

The frameworks cover capital but not maintenance work. £6.0m of £9.0m of schools maintenance expenditure is controlled directly by the schools themselves. NPS undertakes some work on behalf of schools. Building work commissioned directly by schools under delegated budgets is undertaken by many small firms, providing a parallel work stream and adding to their range of opportunities.

### **SME Training and Skills Accreditation**

#### **Build Norfolk**

NPS was instrumental in creating this procurer-led initiative drawing together public sector agencies, main contractors, business support organisations, construction federations and SME construction businesses in the creation of a Supply Chain Readiness Network (SCRN). It is operated in conjunction with the Consultation Industry Training Board (CITB). The project assists local and regional partners in delivering business development and skills development in the construction sector to encourage SMEs in construction and assist them to be more effective and successful.

Constructing Excellence assisted in setting up the initiative. It is one of a series of six schemes originally piloted and has developed into a successful ongoing operation. The CITB provided start up funding. NPS

provided resourcing throughout, including setting up a website and providing administrative support. It continues to support the scheme from its own resources now that start up funds are exhausted. The limited cost of this support is more than repaid through better quality of work, sharper competition and local economic sustainability.

Build Norfolk has moved to a single prequalification system based around the county's established standards. It is linked to schemes operated by Business Link which provides assistance to firms needing help to achieve standards in business planning and the development and operation of policies in such areas as equality etc. Through City College (a local FE College) trade-training for apprentices is linked in.

So far over 100 new firms have become registered and many of them are securing work through Norfolk's framework contracting partners.

## Apprentice Training

The county is an active promoter of apprentice training which is also supported through the NPS frameworks. Through City College, a scheme of trade training is available and linked into Build Norfolk.

In the next generation of frameworks NPS is looking for a direct apprenticeship scheme with each contractor employing six apprentices. Particular emphasis will be given to providing placements for hard to reach groups such as NEETs, those not in either education or training.

## What has been Learned from the Experience to Date

### Impact of Frameworks on SME Access to Norfolk's work

Detailed comparisons have not been made, but in general SMEs have secured similar volumes of work

under the frameworks to what they obtained under previous procurement arrangements.

### General

The frameworks have successfully realised the county's desire to maximise access for SMEs. Looking back on the process followed and what it has achieved, there is a strong belief that there are no problems of principle which ought to limit or restrict SME opportunities. The most important consideration is the right attitude and a commitment to removing obstacles to their entry.

## Wider Benefits

### Economic

SME support is driven by Norfolk County Council's economic development strategy.

### Impact on Cost and Service Delivery

SMEs often have lower overheads, are more flexible and provide a more responsive service. The benefits of Build Norfolk are also seen in increasing competitiveness and improving service quality.

### Impact of employing SMEs on Local Businesses and the Local Economy

Many contractors undertake projects in the communities in which they are based and from which they cannot walk away. In terms of the economic derivatives of SME employment, local companies employ local people whose earnings are recycled through expenditure in the locality where they live. Supporting and assisting them is therefore a recognised priority of the County and NPS.

### Sustainability

The frameworks provide greater opportunities for the county to develop with its contracting partners agendas for economic development, regeneration and sustainability. These include not only apprenticeships

and training but also influence materials procurement to take account of the benefits of reducing materials transportation over long distances and the management and reduction of waste. In the allocation of work to its contracting partners, NPS takes account of geographical factors including travel to work considerations as well as performance on previous projects.

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## WEST SUSSEX COUNTY COUNCIL

West Sussex County Council is a southern shire county with a population of 750,000. It covers an area of 199,000ha, including 4,000km of roads. In the current year it has a Highways and Transport revenue works budget of £22m and a Highways and Transport Capital budget of £21m. Approximately £12.5m of this is maintenance related.

### Framework Overview

The highways term maintenance framework agreement which was awarded to May Gurney became operational on 1st July 2006 using the NEC Term Services Contract, Option C form of agreement. It covers general, cyclical and routine maintenance and schemes of improvement valued up to £500k, but excludes specialist services for traffic signals, street lighting and grass cutting. The contract is for five years extendable on a rolling one year basis up to ten years, with three years notice of determination. With the exception of a large national surfacing contractor, the supply chain is predominantly made up of SMEs. Annual turnover is expected to be worth around £20m. Design work is approximately 50% in-house and 50% out-sourced.

The framework creates an alliance handling, in a single contract, work previously carried out through 17 contracts under which some 40 companies were directly engaged. Within this arrangement, minor

works were contracted to six SMEs using short-term schedule of rates contracts.

The objective was to co-ordinate all highways work under a single managing contractor to achieve better service integration for road users, improve efficiency, facilitate asset management, and improve road network management under the Traffic Management Act.

### Framework Objectives for SMEs

#### Supply Chain

The county wished to retain the knowledge and experience of the small local companies which had for many years carried out good work on the county's road network. It sought to do so by maximising opportunities for them in the new supply chain.

#### Consultation

Market consultations took place in the course of planning the proposal to engage both with existing

contractors and larger contractors to maximise their interest in the framework and encourage links between them.

### **Training and Accreditation**

It was recognised that training in framework operation was important for SMEs with no previous involvement in this type of procurement, and the agreement included obligations for its provision. Skills accreditation in technical and legal terms was assisted by the fact that the SMEs previously employed by the county had already achieved compliance with essential standards.

### **Economic**

The County wanted to maximise local economic benefit from capital investment made under the framework.

### **Process simplification**

Some processes particularly around rates and overheads were simplified to assist SMEs unfamiliar with open-book accounting principles.

## **Strategy for SME Involvement, Support and Development**

Consultations with existing contractors were designed to ensure the new agreement reflected their past experience of what was good, what could be improved, and to help dispel any doubts about the county's intentions towards them. It was emphasised that SMEs coming into the framework would benefit from a minimum of five years work in place of the project by project commissions they had previously received.

Whilst it would not be acceptable to be prescriptive about the supply chain under the selection process, service delivery arrangements would tend to be more credibly presented where the SME contribution was

demonstrated. The evaluation process included a collaborative workshop to help assess this particular aspect.

The SMEs in the supply chain were inexperienced in frameworking and largely unfamiliar with the accounting conventions distinguishing the division of costs between trade rates, overheads and preliminaries. Target costs and performance indicators were difficult to implement until there was consistency. While plans were bought forward to achieve convergence, the county took the risk of working on a cost plus basis on early schemes.

The management structure for the framework is governed by an Alliance Board, below which are Operations and Supply Chain Boards. The latter provides a forum for addressing all supply chain related issues. It deals with training, operations issues and performance for firms in the supply chain. It helps them to help each other, move towards standard processes and procedures and acts as a communication channel to the Alliance Board.

An area of efficiency targeted by the Alliance relates to management and safety planning associated with individual projects, moving to self certification of compliance with prescribed standards by the contractor. Achieving this has required standardised management plans including health and safety to a generic format under the control of the co-ordinating lead contractor. This has simplified demands on SMEs, requiring them only to address details specific to the individual projects allocated to them.

### **SME Training and Skills Accreditation**

Training is handled across the alliance under the framework. Specific initiatives provide assistance in operating under frameworking conventions including benchmarking, performance management and supply chain operation. The need for accounting consistency

has also been covered along with developing common processes for management.

Cultural change was recognised from the outset as an imperative. It commenced for County staff before the framework was tendered with external consulting assistance through CWC. It continues with in-house support under the framework.

A training matrix is being worked up across the Alliance to provide a framework for identifying needs, and planning and tracking the process of meeting them.

Within the SECE regional framework initiative, consideration is being given to whether sufficient support exists to develop a regional training academy.

## Apprentice Training

Demands on the construction economy in the region have underlined the importance of encouraging new entrants into the industry. May Gurney interact with schools and colleges to disseminate knowledge of entry opportunities and stimulate interest. They run a training scheme into which apprentices can be channelled. It is intended to link this under the Alliance framework into the SMEs, and with appropriate support, begin to actively involve them in apprentice development.

## What has been Learned from the Experience to Date

### Impact of the Framework on SME Access to the County's Work

The county's intentions have been successfully realised in bringing most of its previous key SME contractors into the new framework. In general terms, the SMEs involved in the programme now are the same key SMEs that were contracted prior to the

introduction of the framework. Only one previous participant opted not to join the new arrangement.

### General

Although the framework is only one year old, the benefits of efficiency in both consulting support and programme based material and commodity procurement are starting to accrue in support of the 10% efficiency improvement sought over its life.

Framework management institutions mean that much more information is shared between the Council and the Alliance. Individual projects are planned and rehearsed much further ahead enabling SMEs to do a better job. This makes value engineering inputs more meaningful and productive.

Contractors are now exposed to the internal pressures on the Council in managing its programmes and juggling internal budget obligations and uncertainties. They see and can contribute to the processes of shuffling commitments to accommodate pressures like the additional set up costs in year one. Fuller communication brings them into contact with, and enables them to contribute to, the wider programme management process.

Accounting differences between supply chain members introduced unforeseen demands to operating performance targets under open-book accounting principles, adding another training dimension.

## Wider Benefits

### Economic

SME inclusion contributes positively to the County's economic development strategy.

### **Impact on Cost and Service Delivery**

With less than a full year's performance available to work on, the benefits cannot yet be dependably measured. Preliminary indicators suggest however that that the outcomes are moving in the right direction.

### **Impact of employing SMEs on Local Businesses and the Local Economy**

Whilst it is still early in the life of the alliance, it is expected that greater confidence in future workloads and longer-term planning will assist SMEs to sustain their businesses and, subject to Council budgets generating sufficient highways work, to invest in the future and grow. Working together provides greater opportunity to recruit locally and train to achieve a balanced workforce at a time on increasing pressure on the construction industry.

### **Sustainability**

The engagement of smaller local businesses employing local residents produces local economic benefits, builds on existing relationships and reduces work travel distances.

Being able to integrate civil engineering operations across the programme is reducing waste particularly in regard to the disposition of arisings and materials transportation generally. One of the SMEs has taken the lead for the Alliance on this particular initiative.

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## KEEPMOAT REGENERATION plc/ BRAMALL CONSTRUCTION LTD

Keepmoat Bramall NW, which turns over £120m annually, is an established regional contractor in the North West. It operates exclusively in the public sector undertaking newbuild and alteration projects on schools and housing for local authorities and housing associations.

The company operates west of the Pennines over an area extending from the Lake District to Stoke. It will take on individual projects from £500k to £80m (over three years). The Keepmoat group has increased its turnover from £50m to £550m over the last ten years.

### Keepmoat Development and Involvement in Frameworks

Until ten years ago, work was secured through successful single project tendering and by negotiation. The group has since moved to a position where 90% of its work is derived from framework agreements of which it has over 100 currently operational.

Keepmoat originated in the amalgamation in the 1980s of Haslam Homes, Frank Haslam Milan and Bramall Construction Ltd which was originally established in 1931. Then a general contractor, it felt itself unable to deliver the right quality service operating over diverse sectors, and resolved instead to specialise in public housing and education. This

increased the importance of retaining clients in its narrower market, and became the imperative behind the development of a customer focused service delivery policy. This included a non-adversarial approach to customers, a willingness to open the books and the creation of a customer care and Resident Liaison Department. This culminated in the development of Data Pro, a sophisticated site and customer management programme currently being evaluated for the Orange National Business Innovative Award.

The operational and cultural changes introduced in the 1980s increased the volume of Keepmoat's negotiated contracts. It created a partnering ethos anticipating the proposals of Latham and Egan a decade later, and positioned the group well in a market with a growing interest in collaborative working.

## Training

Training and staff development are at the heart of the company's operating philosophy. The 'Keepmoat Academy' oversees education and development of all staff throughout the Keepmoat group. At its highest level this can lead to a degree level diploma in construction management, though the day-to-day emphasis is on basic trade training. This is dominated by assisting experienced workers over a six to twelve month period to achieve NVQII level and Construction Skills Certification, and apprenticeships extending over three and four years.

The aim is to:

- ▶ Set people on a credible training path leading to real jobs and moving them away from the job seekers allowance culture
- ▶ Train to recognised schemes of certification and skill validation to drive up work quality on site
- ▶ Extend application and recognition to areas like drain laying and concreting, which are not traditionally regarded as genuine trades.

Keepmoat takes a site employers' approach to training and employs training managers and assessors to provide support. This is to ensure that training is meaningful and equips those emerging as 'job ready' with the skills and capacities to use the trowel or the saw for eight hours per day.

Within the group there is also considerable emphasis on partnering skills and performance management at all levels. These are overseen within the Academy by in-house Training and Development. Along with customer satisfaction scores, they form the subject of individual performance review and staff discussions throughout the year. Keepmoat is accredited under Investors in People and has the Gold Standard for Construction Skills Certification.

## Supply Chain

Keepmoat's approach to its supply chain began to change in line with its approach to its customers, anticipating the closer relationships later advocated by Latham and Egan. The 'Group Purchasing Initiative', dating from the 1980s, was created to frame the selection and development of key suppliers and subcontractors able to support and complement Keepmoat's standards and ethos. This forms the background and basis of the group's current Framework Purchasing Agreements and involvement in framework selection processes and development initiatives.

## Keepmoat Objectives Through Frameworking

Frameworks have provided the group with the opportunity to consolidate its client base, bring more stability to its workload, and improve its profit margins. The senior management capacity released has been used to pursue a number of complementary agendas including:

- ▶ Promoting capacity and technical skill development of SMEs in its supply chains
- ▶ Supporting training programmes for apprentices and local labour and widening the corporate social responsibility agenda by engagement with community liaison institutions associated with its projects
- ▶ Supporting through participation as an academy contractor, and through the North West Managing Director's chairmanship, the National Skills Academy North West Partnership. (see Appendix).

## Strategy for SME Support and Training

Keepmoat applies to its partners the same standards that apply to its own workforce. Working with SMEs, Keepmoat operates a tiered strategy to develop their skills and capacities by working towards full NVQII/CSCS accreditation.

- ▶ Those with the capacity are pushed to achieve essential business performance
- ▶ Those with less capacity and experience are helped to achieve it
- ▶ For those with little or no capacity have basic materials prepared for them
- ▶ Keepmoat takes on and supports apprentices and hires them back to smaller firms.

Keepmoat has devised a model for local labour training which has achieved excellent results. Developed with local training centres and covering many trades and semi-trades (multi-skill), over a period of 9 to 19 weeks, entrants are trained to NVQI level. At this stage they can go on site and come under the umbrella of the on-site assessment and training programme enabling them to advance to NVQII level, when the CSCS card can be applied for.

## Ongoing Challenges

Keepmoat's close engagement in trade training has identified weaknesses with and between systems in place in the industry, training institutions and government regulations:

- ▶ The Construction Skills Certification Scheme shows that many operatives and some staff lack the basic literacy and numeracy skills assumed in trade training programmes. Inability to deal with written communications has major health and safety implications in the workplace as well as in the

quality of the individual's home life. Keepmoat strongly believes that an element of technical 'Skills for Life' should be incorporated as part of the profiling assessment and training process for the on-site assessment and training programme associated with Construction Skills Certification.

- ▶ Government regulations can also be counter productive. Job seeker's allowance is lost when 15 hours of training per week is exceeded. This is consumed by normal college attendance. Trainees lacking sufficient experience to work on site cannot make use of the rest of the week by participating in further site-based training. As a consequence, the length of the training period is doubled and it is more difficult for trainees to cultivate the discipline of sustained output for the full working week. It is Keepmoat's view that in this situation the 15 hour rule should be waived.

Keepmoat believes that partnering and frameworking will deliver the best service, product and overall value to the client in comparison with the alternatives. It is working with clients to enlarge efficiencies by:

- ▶ Assisting in programme management and prioritisation to smooth workflow and increase efficiency particularly in trade sequencing and movement between sites
- ▶ Improving the co-ordination of programme based purchasing and shared training
- ▶ Broadening end-user representation on management boards to improve ownership of both the process and the product.

## Value Added by Keepmoat

### Cost and Service Delivery

Early engagement with clients supported by the group's long established customer focus enables the constructor and supply chain to contribute the maximum in securing the right quality product and cashable efficiencies. By integrating the supply chain members and providing them with work continuity assurance, their pricing has become much more competitive.

Closer involvement with users has led to buildings better attuned to both present and future requirements, reducing the need for later adaptation.

### Skills Development and Training

Keepmoat widely applies its model of Local Labour and Training which includes:

- ▶ Workload analysis projecting trainee numbers that can be accommodated
- ▶ A local neighbourhood recruitment process
- ▶ A bespoke database analysing applicants by gender, race, address, skill and trade enabling the selection process to be used to encourage a community representative workforce.
- ▶ Training procedures incorporating off-site elements to NVQI level and progressing to NVQII/CSCS Training and Assessment on-site.
- ▶ Arranging for the training of partner SMEs' total staff so that when working with Keepmoat as subcontractors, there are no restrictions on which operatives they can send to a site.

This approach has been successfully adopted on sites in Rochdale, Solihull, Warrington and the Lake District. On a Housing Association project in Rochdale targets were exceeded for numbers of Rochdale residents, ethnic minority employment, apprentices and trainees, women apprentice trainees and women in senior positions.

Frameworks represent an ideal vehicle through which to mobilise community training initiatives. Early promotion of opportunities enables trainees to complete off-site experience and a full apprenticeship on a single programme without the need to switch jobs.

This principle is built in to the operation of the North West Partnership of the National Skills Academy for Construction (see Appendix).

### Benefits to the Local Economy

Local SMEs can be helped. The net cost of the support provided is more than offset by increased efficiency when working with them as subcontractors. Over 100 SMEs in the North West have been assisted in this way. Two plumbing firms originally employing two/three people have since grown into multi-million pound turnover businesses.

Unemployed people particularly in urban areas can be helped into gain entry to the employment market in the locality where they live.

### Sustainability

Assisting local SMEs and developing local labour help to reduce travel and transport and improve environmental and life quality benefits.

Community cohesion and economic sufficiency are assisted by channelling the benefit of construction investment into local training and employment opportunities. This can be further strengthened by

introducing local people into the institutions through which multi-year programmes are managed. As jobs complete and labour demands reduce newly trained operatives may travel to widen their employment experience. Keepmoat has supported them in becoming 'seed corn labour' to resource similar work in another locality.

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## KENDALL CROSS LTD, Ponteland, Newcastle Upon Tyne

Kendall Cross Ltd is a privately owned local Northumbrian building contractor, established in 1957, and having an annual turnover approaching £30m. Its work area extends from Berwick in the north to Teesside and Leeds in the south and half way to Carlisle in the west.



### Company Background

The company's traditional markets are mainly local authorities, health trusts and housing associations in the region, and a small quantity of commercial work on behalf of developers. It generally limits the size of any individual project to £10m.

Kendall Cross Ltd is registered with Constructionline and is accredited to CAPS (now CIAPS) 'endorsed' level (see Appendix).

### Developments in the Business over the Last Ten Years

The steady flow of projects from the local health sector which the company previously enjoyed has disappeared with the advent of Procure 21. Other public sector work has progressively taken up the capacity released.

Moves towards frameworking originated in changes in procurement introduced by established Housing

Association clients. These started with negotiated design and build projects and partnered projects through which the company became involved in value engineering exercises. These early changes evolved naturally into frameworking. Kendall Cross's first use of the PPC2000 form of partnering agreement was in 2001/2.

Director level involvement in the N E regional branch of the NFB, led Kendall Cross through the CAPS scheme of accreditation to 'endorsed' level in 2003, a regional demonstration bringing formalised and audited recognition of its frameworking capabilities. 85% of its business is now derived from framework agreements. It has recently added North Tyneside Council to its list of framework partners on the tender of their second generation framework agreement. In 2000, North Tyneside was the first council in the country to have a construction framework operational.

The company has changed from a traditional style of operation to an ethos driven by collaborative imperatives, requiring a significant change of culture throughout its 140 staff. Estimating has been particularly influenced though not to the point of moving from estimators to bid managers. 'Hard' bidding is still done and this helps to maintain the currency of the company's benchmarking data for comparison with its framework performance.

A lot of time and effort is invested in PQQs. Although this is a big claim on resources, it is seen as preferable to relying on single standard forms of prequalification where, should a mistake or error be made, it can have wide ranging and recurrent consequences.

The attitude towards clients has been transformed. With profit, overheads and preliminaries agreed and secure, the company feels able to give its whole effort to working for its clients. Once schemes have been value engineered and risks have been allocated, it sees little benefit or incentive in arrangements sharing pain and gain around variances from target costs. Its greatest incentive is to operate in a way which will secure framework continuation after a re-tender. Losing at this stage risks creating a workload gap with a long wait before the opportunity returns. The continuity derived from frameworking provides business assurance unobtainable when working from one project bid to the next.

Kendall Cross's transformation into a successful framework contractor has been progressive and relatively uncomplicated. The company is however clear that the commitment and carry through of effort to achieve success must be absolute and unswerving.

## Ongoing Challenges

Maintaining the ability within frameworks to respond quickly to new projects can only be met by having a

capacity which will result in management down time, producing an additional burden on overheads.

The scale of work is getting bigger and the company is aware of a tendency to aggregate frameworks into larger packages, which will work against the interests of smaller contractors.

There is growing complexity and expectation from the contractor's role in frameworks, and as a smaller contractor Kendall Cross is aware that it cannot easily match the capacity of major contractors. The company is conscious of the potential size of the iceberg below what is presently badged as the sustainability agenda, and the scale by which this area of engagement is likely to enlarge over time.

## Value Added by Kendall Cross Through Frameworking

### Impact on Cost and Service Delivery

More time is now invested in preparatory work before projects arrive on site in the form of forward planning and value engineering. The result is overall project cost savings and shorter and more assured timetables for project completions. The company is confident that the greater efficiencies in scale and capacity attributed to larger companies can be matched by the savings in preliminaries and overheads achievable by smaller companies.

Kendall Cross likes all tenant liaison to be carried out by site managers who are chosen for their capacity to deal sensitively with tenants and have the power to ensure delivery of whatever they commit to. The result has been high customer satisfaction levels.

### Benefits to the Local Economy & Apprentices

Kendall Cross employees are local and its supply chains are all locally sourced to the maximum possible

extent. The company values its connections with the area in which it operates and invests in local relationships both commercial and social.

The company employs three apprentices per year meaning that it will have between ten and twelve in training at any one time. Their development is overseen by a dedicated manager providing support, guidance and constructive discipline. Where there are family connections with existing company tradespeople, there has traditionally been a greater success rate in the completion of training.

Closer working relationships with clients has enabled Kendall Cross, as part of the wider social responsibility agenda, to provide apprentice training for members of resident ethnic communities associated with its construction projects.

#### **Benefits from Sustainability etc.**

There is more awareness of waste which has been significantly reduced. Travel distances are reduced when employing local people and using local suppliers. Capacity released by the resource differential between bidding for frameworks as opposed to single projects, has been reinvested in support of other aspects of clients' wider economic and social agendas. The company is strengthening its research and skill capacity to meet new sustainability challenges including that of carbon neutrality.

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## R A PHILLIPS CONTRACTORS LTD P BRADY (CONTRACTORS) LTD

Both companies are independent contractors set up in the late 1960s. They are privately owned. They employ 29 and 24 staff respectively and operate through direct labour except for larger mechanical and electrical services and specialist trades. They cover similar areas, operating for the most part along the West London corridor from Hammersmith in the east to Reading in the west and similar distances to the north and south.

### Company Backgrounds

The majority of their work has historically come from the public sector with a small amount of private development. R A Phillips also carry out specialist DFG & DDA compliance adaptations on behalf of the London Boroughs of Ealing and Brent, and Slough worth £1.4m pa and a large re-roofing project for Hillingdon Homes under the framework agreement. P Brady undertakes ecclesiastical work for the Diocese of Westminster.

Both will take individual projects up to £1.5m and base their approach on the provision of a personal service to secure repeat business and controlling overheads to the lowest possible levels.

### Involvement in Frameworks

Traditionally each won its projects through low-price tendering and a limited amount of negotiation. They were both on Hillingdon Borough Council's lists of approved contractors, and had worked successfully for

the Borough on housing and schools work over a number of years. Neither had any knowledge or experience of partnering or frameworking nor the skills needed to become involved in it. Their first exposure came with the public consultations initiated by Hillingdon Homes preparatory to drafting tender documentation for what was to become the acquired properties framework. The assistance provided through and following the consultations, made their involvement possible. The analysis which took place as the process developed provided a valuable means of identifying process and skill requirements to support involvement in the framework and drove training initiatives in both companies.

The terms of operation with Hillingdon Homes set out key requirements in terms of transparency and open-book accounting. Each firm brought supply chain relationships with key sub-contractors particularly in mechanical and electrical services. They applied to their key supply chain partners the same

terms that Hillingdon Homes required them to comply with.

Neither firm brought any accreditation related to frameworking to their association with Hillingdon Homes, but the process mapping stage helped to identify training needs which have since been addressed through the training of key personnel.

## Objectives Through Frameworking

The framework has provided both firms with the opportunity to develop, invest in their staff and improve their service. Specifically it has:

- ▶ Brought stability to their workload
- ▶ Encouraged the development of their own and their supply chain members' technical skills and capacities
- ▶ Enabled them to focus more attention on service quality.

## Ongoing Challenges

As their first and very successful framework contract heads towards the completion of the programme for which it was established, both firms are seeking opportunities which will enable them to capitalise on the skills gained through securing further work on a similar basis.

Collaborative working was not previously within the experience of either firm or its supply chains. With the latter there was a need for need for close management and constant reinforcement of the objectives as cultures began to adapt to new and unfamiliar ways of working.

## Value Added Through Frameworking

### Impact on Cost and Service Delivery

With their own costs covered and disclosed through open book, the pain/gain system involved has helped them to focus on adding value for the client by actively seeking further efficiencies. The overall result has been reductions in project costs across the programme of up to 25%. Service quality has increased as evidenced by customer satisfaction surveys.

### Benefits to the Local Economy

The firms employ most of their own labour and tradespeople and office staff all live locally.

The collaborative ethos developed under the framework arrangement has led to more flexible supply chain relationships and movement of supply chain members between contracting teams to smooth progress in the delivery of individual projects.

Assistance is being provided to other clients contemplating a framework approach for the delivery of their programmes.

### Benefits from Sustainability

Work travel distances are kept down through the employment of local people and limiting the area over which projects will be undertaken.

Successful participation in the Considerate Constructors Scheme has led to a new and more efficient approach to waste control.

Collaboration has resulted in each firm freely sharing its knowledge and experience within the partnership. The transfer of intelligence has led to more efficient procurement, less waste and improved efficiencies in areas of preliminaries and overheads.

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## HENRY W POLLARD & SONS LTD Bridgwater

Henry W Pollard & Sons Ltd is a privately owned Bridgwater company established in 1860. It has a current turnover of around £20m and operates within a radius of around 50 miles extending from Bristol to Exeter and from Minehead to Sherborne and Yeovil.



### Company Background

It undertakes new build and alteration work and a limited amount of planned and responsive maintenance work on a variety of properties. Local authority clients provide a significant proportion of its work which also comes from housing associations, private housing developers and individual clients commissioning country houses.

The company is registered with Constructionline and is accredited to CAPS 'endorsed' level. (See Appendix) It is presently working towards achieving Investors In People.

### Developments in the Business over the Last Ten Years

Until ten years ago the majority of the company's work came from the local health authority and the county council. Practically all work was won through single project tendering. The changes in procurement practice post Latham and Egan have moved the

market to one where now 60% of the company's work is derived from partnered projects, framework agreements and individual negotiation.

Involvements with a number of initiatives provided the impetus to change and modernise an organisation and culture which the directors recognised needed to adjust to developments in clients' requirements and expectations. There was also a need to broaden the client base and change the approach towards client relationships and project delivery.

The company invested in a number of training programmes promoted by the NFB. These led to obtaining Contractors Health and Safety Certification (CHAS). It went on to secure CAPS (now CIAPS) 'endorsed' level accreditation in 2003 which developed from a preceding interest in Quality Mark.

Directors became active in local networking events promoted by regional construction organisations and in doing so entered into dialogue with those who were potential clients. The experience underlined the importance of much greater investment in communications at all levels. Initiatives which followed included the setting up of a professionally developed website, building folios of photographs and histories of projects for more active and professional marketing and attending presentations to learn more of the art of company promotion. Pollard now has files of presentation material demonstrating its growing skills and capabilities which can be quickly mobilised in response to new business opportunities.

The company's first partnering venture was with Somerset County Council and it went on to partner with Bristol City Council, North Somerset Council and Taunton and Somerset Health Trust. It recognised through these early experiences the importance of continuity between projects in order to obtain the potential gains which the supply chain was capable of releasing.

Pollards are now in a framework with the county council for the delivery of a programme of childrens' units. It is actively pursuing frameworking opportunities in housing with local ALMOs.

The company has recognised the need to include new capabilities within its skill base to meet specific challenges. This was recently broadened to include assistance to ensure that disabled aids and adaptations would fulfil client expectations on a scheme of housing improvements.

The firm sees frameworking as a way of bringing stability to its workload and retaining and developing more productive relationships with its clients. With profit and overheads secure, the company can concentrate its energies on finding the right building

solutions for its clients' needs. It is conscious of the enormous dividends available from relationships built on trust, common objectives and shared commitments. It sees frameworks as the future, and is actively seeking to increase the amount of work secured through framework agreements.

The changes in the company's outlook and approach so far have enabled the business to triple its turnover in ten years.

## Ongoing Challenges

Culture change involves a commitment which must be sustained. It is an undertaking which once started, requires ongoing support and reinforcement.

Everything requires forward planning and the development of skills and capabilities to reach new opportunities for business development in a rapidly changing market. The changes of the last ten years are seen as steps in a continuum of company evolution and change. This will place demands on company resources and capacities which it will need to sustain and enlarge.

The demands on the contractor will grow beyond traditional expectations and the company must strive to assess and successfully respond to them.

Smaller firms in the supply chain often need help to bring their cost allocation and accounting systems in line with general construction practice to enable them to contribute satisfactorily under open-book arrangements.

## Value Added by Pollards Through Frameworking

### Impact on Cost and Service Delivery

Working more closely with clients and value engineering before commencing on site has resulted

in significant cost efficiencies. Service quality has improved through culture change and pursuit of business development objectives through closer client collaboration.

### **Benefits to the Local Economy and Apprentices**

The company relies for the greater part on direct labour and employs some 50 local tradespeople. This brings all the benefits of association with the local community in terms of residency, the local economic multiplier generated by domestic expenditure, reduced work travel distances, local commercial association and the desire to maintain mutually supportive relationships. Supply chains are populated by companies in the same locality to the maximum extent that skills and capabilities will permit. Those developed to deliver projects in Bristol include firms based in that area.

The company invests in apprentice training and in general takes on two new starters per year. At present it employs seven. Their training is supported over four years rather than the normal three. Those trained were traditionally encouraged to broaden their experience by taking other positions on completion. Now most trainees choose to remain with the company and over 30% of the current trade workforce has been trained in the company over the last ten years.

### **Sustainability**

Sustainability is recognised as an area of growing importance which will gradually become a bigger influence on the way the company operates. Existing benefits in terms of local travel and waste reduction represent a move in the right direction but are only the beginning. Pressures are growing to move beyond regulatory minima, and having widened its skill base in other areas, the company sees itself as open to similar change for the advancement of sustainability developments.

Capacity released through frameworking has enabled the company to invest in presentations in local schools and colleges promoting health and safety awareness, opportunities in the industry as well as increasing its own exposure.

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## THOMAS VALE CONSTRUCTION plc (TVC)

Thomas Vale Construction, originally established in 1869, is a midlands regional contractor, privately owned by working directors. It was subject to a management buy-out in 1992. Its turnover, then £7.0m., has grown by between 20% and 40% per year to its present level of around £150m.

### Company Background

Its work is 70% public sector, 30% private. Some 80% of this is derived from collaborative partnerships including frameworks, of which it is currently involved in 15. These cover a mixture of newbuild and alterations in education, leisure, public buildings and housing. The company operates through satellite local offices and will undertake work from Stafford in the north through Birmingham to Reading in the south and to Derby in the east. Individual projects range in size from £100k to £10m. It employs around 600 staff of whom 200 are tradespeople mainly in groundworks, brickwork and carpentry. They make up some 20% of the combined workforce on its sites, the remainder being employed by its supply chain partners.

### Developments in the Business over the Last Ten Years

The management institutions put in place in 1992 resolved to be outward looking in terms of practice and innovation and the company became a founder member of the Construction Best Practice Programme in 1997. It later became associated with the Construction Lean Improvement Programme. Thomas Vale Construction brings into its management those trained in other disciplines. It actively researches developments from the automotive industry in North America and prefabrication in Europe, and is open to the adoption of techniques pioneered in industry and manufacturing where they can add value to the process of planning and delivering construction projects.

Thomas Vale Construction was an early entrant into the field of single project partnering and demonstration projects. Its first framework venture

commenced eight years ago in housing. This rapidly revealed the potential for efficiency which is attainable when contractors, designers, clients and supply chain partners sit down together at inception stage before significant design work has commenced. Partnering has grown steadily since and now includes local authorities, housing associations and Defence Estates on a wide range of projects. Thomas Vale Construction is a partner in the Birmingham Construction Partnership working closely with two other major contractors in one of the UK's largest frameworks covering all public buildings including education, health, leisure, social care and housing.

The company was an early achiever of CAPS 'endorsed' accreditation which is now being converted to CIAPS (see appendix). It has obtained Investors in People, and met QA and EN standards.

Workload assurance has enabled Thomas Vale Construction to invest £1m in a purpose built Training Centre - 'The Forum', in which some 24 of the company's supply chain partners have joined as sponsors. This hosts a number of activities from innovation days to training courses in such areas as lean business activities, lean business improvement, energy and sustainability. Trade training is also promoted with accreditation to NVQ Level 4 along with the issue of CSCS cards.

This investment in the future with its clients and supply chain has produced significant training investment of circa £2m annually in conjunction with national training bodies such as CITB, and local training providers.

Since its establishment, Forum Training has successfully:

- ▶ worked with over 350 cross region construction companies

- ▶ delivered over 1200 NVQ Level 2 qualifications across 23 different industry sectors
- ▶ assisted over 3,000 construction employees in successfully gaining their CSCS cards
- ▶ developed and delivered short course training programmes to over 800 construction workers including SMSTS, Customer Care, Scaffold Inspection and Appointed Persons
- ▶ developed a working database of over 3,000 who are regularly contacted with details of ongoing training initiatives.

The supply chain and the strength of the relationships between the supply chain partners is crucial to the company's success in performance improvement and project delivery through frameworks. Supply chains are populated by firms from the locality of the main centres of its work. Thomas Vale Construction invests heavily in support and development in its framework partners. This extends to the application of business review and critical evaluation of component design and assembly arrangements at their manufacturing bases to help improve processes and eliminate defects and other problems before they arrive on site. The company's experience is that to achieve complete alignment in culture and operation for optimum frameworking achievement requires an investment in development time extending to around five years.

Thomas Vale Construction looks for a range of skills and standards in its supply chain partners and their employees and assesses these through a supply chain scoring matrix. The entry level, classed as 'vetted', requires the achievement of a minimum designated KPI score level on the TVC supply chain assessment. 'Preferred' status, which can be achieved after one year, requires both an increased KPI score, and higher levels of achievement in Continuous Improvement,

Local Employment, Collaborative Working, Health and Safety and improved Environmental Performance. The highest levels of achievement, supported by consistent performance over at least three years, will lead to 'partnered' status, the key to participation with Thomas Vale Construction in its frameworks.

## Thomas Vale Construction's Objectives through Frameworking

From a business standpoint, frameworks have brought stability and increased predictability to the company's workload. It can look forward with confidence to over £400m of projects over the next four to five years supporting:

- ▶ strategic planning and investment in business development and training for the company and the staff
- ▶ investment in the capacity and skills of SMEs in its supply chains and improvement in the selection and development of SMEs for supply chain roles
- ▶ improved margins on investment.

Capacity released allows senior management time to invest in projects at inception stage when the company believes it can add most value for the client by:

- ▶ engineering out waste in design, and by close working with designers, ensuring this is not at the expense of aesthetic considerations
- ▶ bringing in the supply chain to ensure that value engineering explores all the major elements of the project
- ▶ informing decisions in design and development planning by whole life cost analysis and sustainability measures.

By the same token, value is added beyond the company and the project by:

- ▶ maximising the employment of local SMEs, and gaining from the connections and the continuity which they retain in their communities
- ▶ maintaining an apprentice training scheme, encouraging opportunities for women in the construction industry and extending its corporate social responsibility agenda through community liaison to institutions associated with its projects
- ▶ limiting work travel distances for its own staff and those of its supply chain partners for quality in the work/life balance
- ▶ investment and sponsorship within the local community
- ▶ planning responses to clients' changing needs particularly in respect of efficiency and meeting the Gershon efficiency targets
- ▶ encouraging ownership and sustainability within the community.

## Ongoing Challenges

The process of culture change needs constant reinforcement to break down silo attitudes which exist both within and between organisations. Trying to select the right people to grow an expanding organisation with a collaborative ethos has highlighted the numbers of relatively new entrants to the industry still unschooled in partnership working.

The company has made big advances over the last fifteen years but client expectations and technological advances are creating new demands in terms of both skills and service expectations.

Efficiencies have produced valuable project cost savings. But to achieve the value from efficiency which is being obtained in other parts of the world, big improvements need to be made in component manufacture and assembly off-site.

It is possible to obtain many high quality fabricated building elements from Eastern Europe and Asia at much lower cost than their equivalents are obtainable in the UK. Purchasing decisions need however to take due account of both short and longer-term sustainability dimensions in terms of transport and shipping, and the present and future economic impact of the loss of local manufacturing capacity.

Business monitoring and improvement strategies are being constantly reviewed for their currency and relevance. Business health is measured through nearly 100 internal indicators. 360° benchmarking takes place from tradespeople to executives in the company and bilaterally between the company and its clients, supply chain members and the designers with which it works.

## Value Added by Thomas Vale Construction

### Impact on Cost and Service Delivery

Cashable efficiencies have led to clients saving between 5% and 50% of project costs.

The company invests significant resources in design and pre-construction stages, assembling dedicated teams including key supply chain members to work and maintain continuity with clients from inception to completion of the programme. Working directors retain personal involvement throughout.

Performance measurement, innovation and improved efficiency are the drivers behind all aspects of company operation.

This has formed the basis on which the business has been developed and remains a core principle in the way it is run.

### Benefits to the Local Economy

Thomas Vale Construction supports and assists in the development of local enterprises through supply chain relationships. It is committed to SMEs and the appeal to clients of their strengths in being local, personal, flexible, responsive, and committed to community associations and relationships.

### Sustainability

Thomas Vale Construction takes a view of sustainability not narrowly focused on the environment. The company operates a robust Corporate Social Responsibility agenda addressing the impact of its activities on the social, economic and environmental components of the communities in which it works. Through this it can:

- ▶ focus on the local agenda
- ▶ foster innovation and local business opportunities
- ▶ promote business activities and local investment
- ▶ encourage training and local employment
- ▶ ensure ownership within the community and wider stakeholders
- ▶ commit and focus across all drivers.

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## Appendix

### Skills Assessment, Accreditation and Training

A recurring theme in frameworking where SME interests are being promoted is the need to recognise that smaller companies often lack the essential business skills and practical experience needed either to bid effectively or participate successfully.

Enabling them to get involved often has to be prefaced by skill assessment, identification of gaps and finding ways to overcome them. The examples featured in this study address the issue in a number of ways from the engagement of industry training bodies or specialist consultants, regional collaboration and F E Colleges through to self help.

Combined packages exist in some areas resulting from initiatives driven by local needs, led by institutional partnerships and delivered through bespoke or generic means. Financial assistance can sometimes be available to add impetus and incentive subject to conditions and eligibility.

The following is not a comprehensive list but provides more information on the processes and methodologies used by contributors to this report.

### Construction Industry Accredited Performance Scheme (CIAPS)

CIAPS is a commercial scheme of contractor skill assessment and accreditation linked to a series of training modules developed to equip smaller contractors to operate in collaborative partnerships and frameworking schemes. It was developed from the Construction Accredited Performance Standards Scheme (CAPS) originally devised by the National Federation of Builders in 2003. This was an industry response to a government initiative following the principles of Latham and Egan, steering healthcare building procurement towards Procure 21, and potentially reducing access by SMEs to a market in which they had previously been predominant. It was conceived to enable SMEs to acquire skills in collaborative working, supply chain membership or management, benchmarking and continuous performance improvement.

CIAPS is the custodian of a set of standards through which contractors' skills and capacities are audited by a UKAS licensed organisation, to the standard ISO EN 45011 and validated to one of three levels of competency starting with 'listed' and then 'accredited'. To achieve the highest level 'endorsed', evidence of the skills necessary for frameworking must be demonstrated. The standards used are so far as practicable those established, accepted and used in the industry. Their currency will be maintained by a governance board drawn from across the industry.

CIAPS is partnered by TLR which maintains the listing database, B M Trada, a UKAS licensed auditing organisation responsible for competency validation, Dun & Bradstreet which undertakes financial probity checks, CHAS which validates health and safety policies and their observance and WMCCE (West Midlands Centre for Constructing Excellence) which sources training arrangements.

Clients using CIAPS can obtain current information on independently validated contractor skills and competencies. Contractors' listings give a recognised shorthand description of their abilities in a form compatible with commonly used prequalification forms.

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## C-CIT

C-CIT is the Collaborative Working Centre (CWC) Continuous Improvement Toolkit. The C-CIT programme has evolved from performance improvement concepts and techniques such as Lean Thinking, Performance Management and Leadership and Teamwork. It offers a structured approach to continuous improvement for the construction industry. It can be applied to any sector and is equally applicable to frameworks and single schemes and to clients, designers, contractors and suppliers.

It involves diagnosing the current organisation, processes and behaviours to understand what needs to happen to achieve collaborative working, then planning a route map for change leading to improved delivery of construction projects and services.

C-CIT techniques have delivered up to 40% reductions in waste, 48% reductions in mobilisation times, and 34% reductions in programme duration.

They have also delivered up to 40% increases in productivity, 70% increases in quality, as well as increases in profits and customer satisfaction.

C-CIT is one of a number of support programmes available from CWC. The Collaborative Working Centre was set up in 2001 by the University of Warwick and under the auspices of the Design Build Foundation, has taken forward the learning on integrated Supply Chain and Collaborative Working arising from a number of 'Egan-orientated' projects. These include in the construction industry, Local Authorities such as Leicestershire County Council Highways, Housing such as Hillingdon Homes, the ALMO of the London Borough of Hillingdon, and others including BAA, MoD, Highways Agency, NHS Estates and Welsh Water.

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## ConstructionSkills

ConstructionSkills emerged in 2003 as a Sector Skills Council utilising the previous success of the Construction Industry Training Board (CITB) as a national training organisation (NTO).

ConstructionSkills is a partnership between the CITB, the Construction Industry Council (CIC) and CITB (Northern Ireland) and covers the whole of the UK. It operates through teams organised on a regional basis providing a range of support to the industry including grants for trade and business training, apprenticeships and specialist diplomas and it includes ambassador schemes working with schools to encourage new entrants into the industry. ConstructionSkills works with government bodies and industry to establish and promote the standards with which schemes of training

must comply to enable participants to be eligible for grant support, and validates programmes' compliance with these standards.

Grants can be sought by individual building contractors on behalf of their staff for approved training, and are equally available to SMEs too small to be required to pay the statutory CITB levy. Much of the routine day-to-day training for the industry, particularly up to NVQII level, will be available from local sources close to the company's and individual's base. Support is also available however for more advanced and specialist training which by its nature is only obtainable from a smaller number of national centres.

Financial support is not confined to individual grants. It can also be made to collective schemes devised by groups of contractors. This is an application which might be of particular interest to those collaborating in a framework through supply chain associations.

Support can be 'virtual' through contributions to the cost of assessors employed by a contractor and operating on a mobile basis between sites on which trainees and apprentices are working. Keepmoat plc works in this way.

It can also be by assistance towards schemes managed through purpose made training centres. This is the way that Thomas Vale Construction has chosen to operate through its Training Forum.

ConstructionSkills is flexible about the means through which training is provided. The emphasis is on finding the most appropriate solution for the particular situation. It has been a contributor to Build Norfolk and is a key player in the development of the National Skills Academy for Construction.

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## The National Skills Academy for Construction

The North West Partnership of the National Skills Academy for Construction (NSAfC) was launched in March 2007. It is a regional employer-led initiative bringing a site-based approach to learning and skill development in the construction industry. It follows the Construction Skills Network Report of 2006 which forecast that 7,300 new entrants will be needed in the North West construction industry annually until 2010 to meet new demand and replace those leaving the industry.

Through the NSAfC, there will be a rolling programme of similar Regional Partnerships going live nationally over the next year.

Led on behalf of the industry by ConstructionSkills, the NSAfC is a partnership between clients, contractors, developers, and learning and funding providers. It places employers in control to ensure that projects are completed to high quality, safely, on time and budget, while developing the skills of the workforce to meet employer and project needs. Work based learning centres will be located on Academy projects, supported by mobile training units.

The objective is to refocus training on project specific skills and overcome the challenges of training a mobile workforce in a sector comprising large numbers of small firms and sole traders.

The National Skills Academy networks for all sectors are led by the Learning & Skills Council. For the NSAfC, a collaborative approach at regional level means that employers will benefit from more effective use of the funding. Organisations such as ConstructionSkills, the Learning & Skills Council, Business Link and the Regional Development Agency will be better able to understand the needs of construction projects and channel funding accordingly.

Keepmoat plc is an active participant in the NSAfC. In addition to being an Academy project contractor, the Regional Managing Director of Keepmoat Regeneration chairs the North West Partnership.

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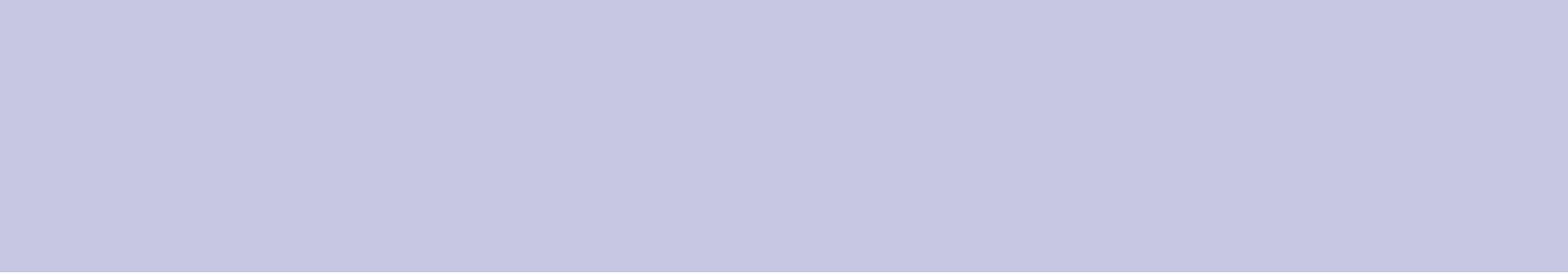
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