

Future of the North Wales Construction Framework

Background

The North Wales Construction Partnership Framework is the second generation of local authority-driven construction frameworks in the region; it was built on the award-winning work of its predecessor and plays a central role in enabling change in how construction projects are procured in the region.

The framework is set up to deliver a range of major projects across North Wales with a combined value of £500 million and includes projects valued over £250K, the framework is split over five value lots.

As well as the six North Wales Local Authorities (NWLA), the framework can and is also utilised by other public sector bodies across the region, providing value for money and wider benefits to North Wales.

The framework pioneered the delivering Community Benefits making it a core part of the procurement approach; a set of Community Benefit principles are incorporated into the Framework's operation to unlock wider economic, social and environmental regeneration.

The framework supports the development of a new generation of construction professionals, by providing training opportunities and creating local jobs through each project.

One of the framework priorities is sustainability, it embraces carbon reduction initiatives and provides training to stakeholders to ensure the efforts are allocated in the correct places.

The framework aims to secure improvements to the built environment through delivery of best value, energy-efficient, sustainable facilities; utilising the highest possible safety and environment standards, innovation and collaboration, whilst creating a lasting legacy through targeted investment in employment and communities.

It operates in an environment of openness, transparency and flexibility, which enables stakeholders to embrace a partnership approach.

This will address the Programme for Wales' priorities and continue to deliver improvement in the way construction procurement works for the region.

Construction Market Situation following COVID and Brexit

Following a period of unprecedented changes in the world and in particular in the UK due to Brexit, COVID and more recently the Ukraine War, the way the construction industry operates has significantly changed. To understand the extent and impact of this shift we hosted a series of meetings with clients and contractors, forming the NWCP which gave us a clearer view of the issues facing the construction industry and how contractors are responding to the challenges presented.

The overall issues are listed, followed by recommendations that we believe enable both clients and contractors to go through this transition in the best possible way and continue to operate collaboratively.

Issues Identified

- Material shortages such as,
 - Concrete products generally, such as fence posts, gravel boards, lintels
 - Cement
 - Timber in general – significant price increases
 - Chipboard flooring
 - Roof trusses – significant price increases
 - Timber fencing panels and posts – significant price increases
 - Cold rolled steel members – significant price increases
 - Plasterboard and plastering products in general – significant price increases
 - Reinforcing bar and associated products – significant price increases, prices only held for 24 to 48 hours
 - Insulation
 - Roof tiles
 - UPVC windows and doors, this list is not exhaustive.

- Significant price raises with quotes only effective for 30 days or less. In some instances, quotes are only valid for just one day
- Order books on supply chains are shut
- Fixed prices are non-existing. Changes can happen daily
- The overall market is busy; However, contractors prioritise Framework work compared to the open market as the former tends to be more collaborative
- Some project tenders are transferring too much risk to contractors - the feeling of the industry is that it cannot be sustained at this level
- Refurbishment projects as single-stage D&B transfer big risks and are resource-intensive
- Finding lengthy delays with planning
- Contractors have limited resources there is a need to avoid tenders that are ‘resource hungry’
- Sometimes design periods are compressed and not realistic
- Design consultants are overstretched
- Shortage of site accommodation/welfare units. Contractors are doubling up on these units so that they can maintain social distancing on sites, as a consequence of COVID. Toilet units have been particularly difficult to source.

The following recommendations were issued to all partners to assist with adapting and responding to the issues outlined above.

- Commit to transparency in the pipeline, continuous communication, dialogue and feedback
- Complete Expression of Interest form with as much relevant information as possible
- Consider the appropriate tendering approach for the type of job
- Consider using the principles of *Early Contractor Involvement (ECI)*/ two-stage route, whether it is Design & Build or traditional approach
- Stakeholders to consider [‘The Construction Playbook’](#) when developing projects, in particular when it comes to risk
- Provide feedback and notice before a project landing
- Work closely with the supply chain
- Consider forward ordering to deal with price uncertainty
- Client to consider agile procurement process
- Benchmark with up to date costs

- A more collaborative approach towards managing risk should be considered from the onset by highlighting project risks in a risk register to accompany tender documents (*or ideally discussed upfront as part of an ECI procurement process*) and agree which items can be sensibly transferred to the contractor, which items are retained by the *client* (e.g. *where planning permission hasn't yet been granted or conditions attached*) and which risks should be shared (*ratio to be agreed before contract award*).
- Rethink how the risk of holding prices as material costs increase is managed as it can't be retained by a contractor.
- Project Budgets need to be thoroughly reviewed and reappraised. The scope needs to be realistically aligned to the budget

It is also noted that the single-stage procurement process for projects valued over £2m is no longer within their 'risk frame', this was a risk for them previously but its impact has been exacerbated by their inability to hold prices for long periods.

Existing supply chains are being prioritised to ensure that quality and price are delivered, however, this may have an impact on the wider supply chain.

Impact on the NWCP & projects in the region

The uncertainty generated by these events, alongside how Capital projects are funded has had an impact on the delivery of projects, the programme of works has encountered significant delays resulting in a reduction in the number of projects procured and delivered against the intended programme.

During part of 2020 and 2021, most of the NWLA and other partners put their programmes on hold due to uncertainty in their ability to match fund projects and other internal issues.

Out of a confirmed programme of works of £330m only £150m has been tendered and a contractor has been appointed, the capacity of the Framework is £500m

The Framework has one year to go but it is unlikely that we will be able to appoint contractors to £200m+ worth of projects in one year.

The re-procurement of a new framework has a cost attached, which will occur whether it is done now or in a year. It is also time-consuming, it takes approximately one year to set up a Framework of this size and costs around £70K, it also means that resources currently supporting the delivery of projects will be redirected to initiate the re-procurement process from July 2022.

Additionally, not having a Framework in place for some time will result in benefits being missed, additional costs to the procuring bodies having to go to the open market and loss of engagement with stakeholders

The market is changing faster than usual, and understanding it when designing new frameworks is key to their success. Several initiatives are being developed by the Central and Welsh governments that need to be incorporated into new Frameworks as well as understanding that there may be opportunities in the new Procurement Regulations and CPR (Corporate Procurement Regulations).

Responding to the challenge

Option 1

Let the Framework run its course and let it end in June 2023 – Re-procurement needs to start in June 2022 at the latest to have a chance for a new Framework to be in place.

The cost for re-procuring will be between £70 - £80K, this cost will be the same whether we start the procurement process in June 2022 or in June 2023.

The team for some time now has had resourcing issues due to long term sickness. We expect this to be alleviated later this year as payment from other Public Sector bodies for using the Framework may allow us to put a budget in place for recruiting temporary support, however, this support will need to be redirected to the re-procurement process rather than support existing projects.

Option 2

Extend for 6 months

Option 3

Extend for 1 year

For options 2 and 3,

Extensions to frameworks are permitted under Regulation 72 of the Public Contracts Regulations 2015 as amended ("PCR") where the extension falls within one or more of the stipulated safe harbours under Regulation 72 and is therefore not considered to be a "substantial" change. Where an extension falls within one of the safe harbours, the requirement to re-procure is not triggered.

Advice has been sought regarding the ability and risks to extend the Framework and we are satisfied that the conditions are met.

Extending the Framework will give the Public Sector Bodies in North Wales the opportunity to deliver the projects as intended. Contractors and their supply chain will continue to deliver the benefits incorporated into their Framework agreement.

The cost for re-procuring will be between £70 - £80K, this cost will be the same whether we start the procurement process in June 2022 or in June 2023.

Stakeholder Position

The users and any other interested parties

- Six NWLA - are on board and have been consulted
- Other Public Sector bodies in North Wales
- Contractors currently appointed to the Framework - have been consulted and are also supportive of an extension
- Other stakeholders involved with the Framework also find the proposal of an extension positive

- Contractors not currently on the Framework – expressions of interest have been sent to take part in the next generation of Frameworks

Reasons the extension is needed

An extension will provide the following

- Time for the NWLA to add other Public Sector Bodies to continue to deliver their projects for an extra year
- Time for the team to familiarise itself with the new market realities, to be able to choose the appropriate procurement and design the Framework to serve its purpose effectively
- Opportunity for the Framework to meet its intended purpose
- Speed up appointment and delivery of projects by appointing contractors in a swift manner
- To provide opportunities to local SMEs
- Continue to provide a programme of works
- Work in partnership with the LA and contractors

Expected Benefits or return on investment

- Enable Local companies to grow
- Deliver projects faster and more efficiently than the open market
- Continue with a partnership approach
- Support the education and development of the Local SMEs
- Provide benefits for the region in line with the Future Generations Act
- Imbed Zero Carbon KPIs and methodologies
- Incorporate circular economy principles

Risks

A legal challenge concerning the extension of the Framework – legal advice has been sought to limit the risk of a challenge. There is also a precedent from SEWSCAP Framework, our equivalent in South East Wales, who in January 2022 successfully achieved a year extension without challenges.

Lack of engagement from Contractors on the Framework – Continue to work closely in a partnership manner that has to date enable us to successfully procure projects during the current challenging times.

Framework Outcomes for Denbighshire County Council to date

Denbighshire utilises the NWCP Framework for relevant projects and benefits from its pioneering approach to Community Benefits. Framework suppliers commit to KPIs around:

- Local labour – helping to maximise local employment from Denbighshire spend
- Local supply chain use – supporting local suppliers to benefit from Denbighshire spend with larger contractors
- Developing the workforce via training and development – encouraging and expecting capacity building amongst the sector, including any local sub-contractors. This can include short courses and apprenticeships.

- Fair Payment agreements - to pay sub-contractors for work delivered on Denbighshire funded projects, especially valuable to local sub-contractors
- Resource use targets – outcomes include reducing waste to landfill, reducing water usage, optimising energy usage
- Engagement with schools and colleges – support to local pupils and students via outreach to highlight future career potentials, STEM subject support, interview practice and mentoring
- Work placements – short work placement opportunities for young people (under 16) and also unemployed persons. These can range from 2 days to 2 weeks and act as a taster into a construction career but also as an introduction to work and the workplace, especially for those who are long term unemployed
- Projects delivered with Zero accidents and Zero Defects
- Donations and support to local community groups

Procured through the Framework, three Denbighshire projects were delivered:

Welsh Language Centre (Ysgol Glan Clwyd)

The project impacted by Covid-19 restrictions

- 3 work placements delivered against a target of 1
- 2 apprentices and 2 new jobs created
- 2 educational events achieved – 100 pupils and 6 teaching staff engaged
- Exceed target of payment to sub-contractors

Y Bont/Coroner's Court (at County Hall)

Project delivered during the height of Covid-19 restrictions, schools education via remote teaching and limited ability to offer work placement opportunities.

- 87% of sub-contracted spend was within a 30-mile radius of Ruthin
- 67% of the 51 people on-site lived in Denbighshire postcode area
- 4 apprenticeships supported on the project
- Unable to meet targets on school and college engagement due to Covid restrictions

Oak Tree Centre extension

The project is still active, not yet completed.

- On-going Community Benefit themed meetings with the principal contractor, actions already undertaken include:
 - Link up to Working Denbighshire to maximise the impact of work placements and local recruitment

Other projects of the Framework programme of works are:

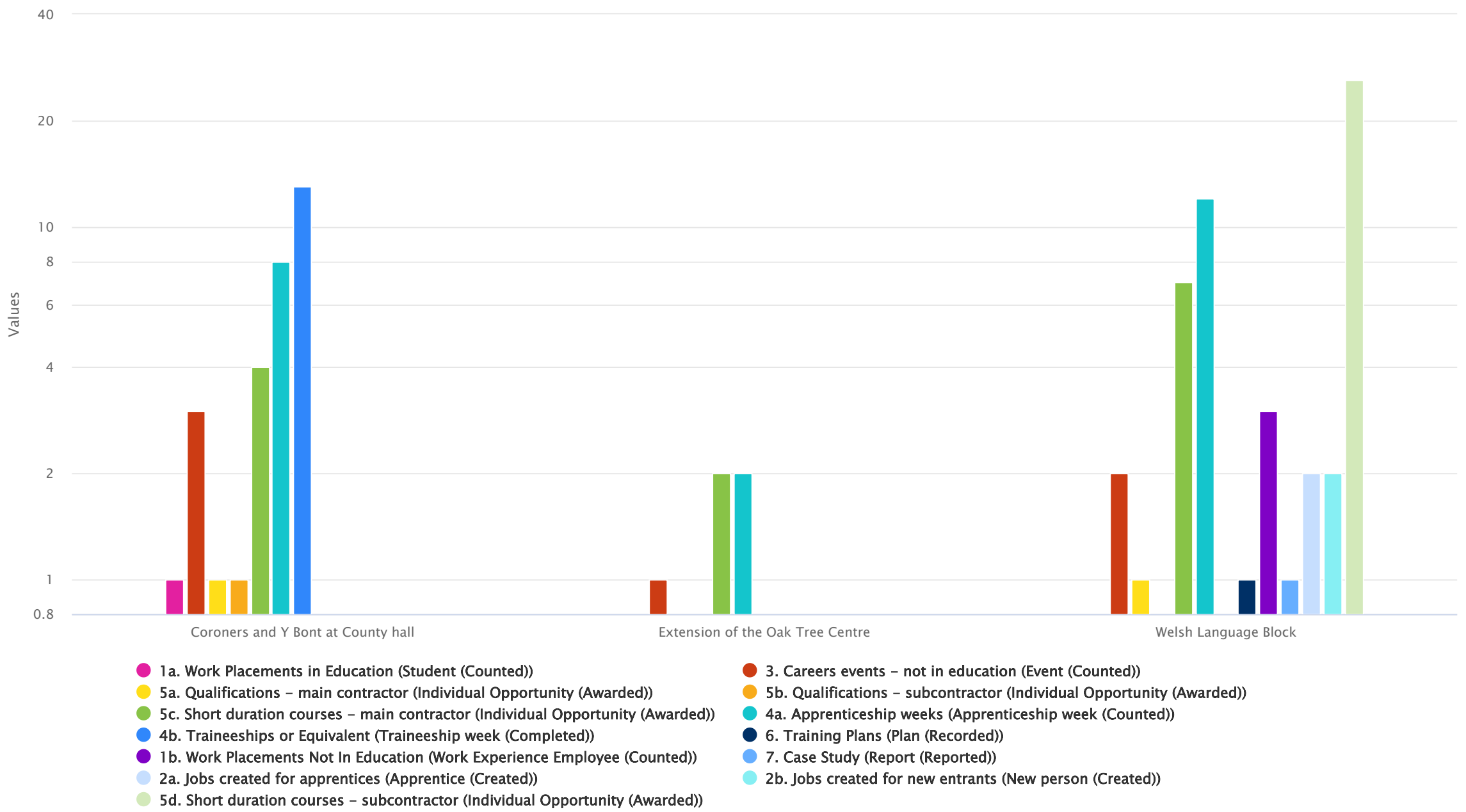
- **Denbigh Ysgol Plas Brondyffryn**
- **Llangollen Ysgol Bryn Collen / Gwernant Redevelopment**
- **Llangollen provision - 21c projects**
- **Rhyl provision – 21c projects**

- **Bodelwyddan school extension**
- **Rhyl - Queens Market Redevelopment Phase 1**
- **Denbigh - Twm o'r Nant - Childcare Provision**
- **Rhyl - Dewi Sant - Childcare Provision**
- **Botanical Gardens Depot**

On the next page we include a selection of reports for active Denbighshire projects.

On Appendix 3 there is a snapshot of projects delivered or in the process of being delivered across the region.

Denbighshire Projects

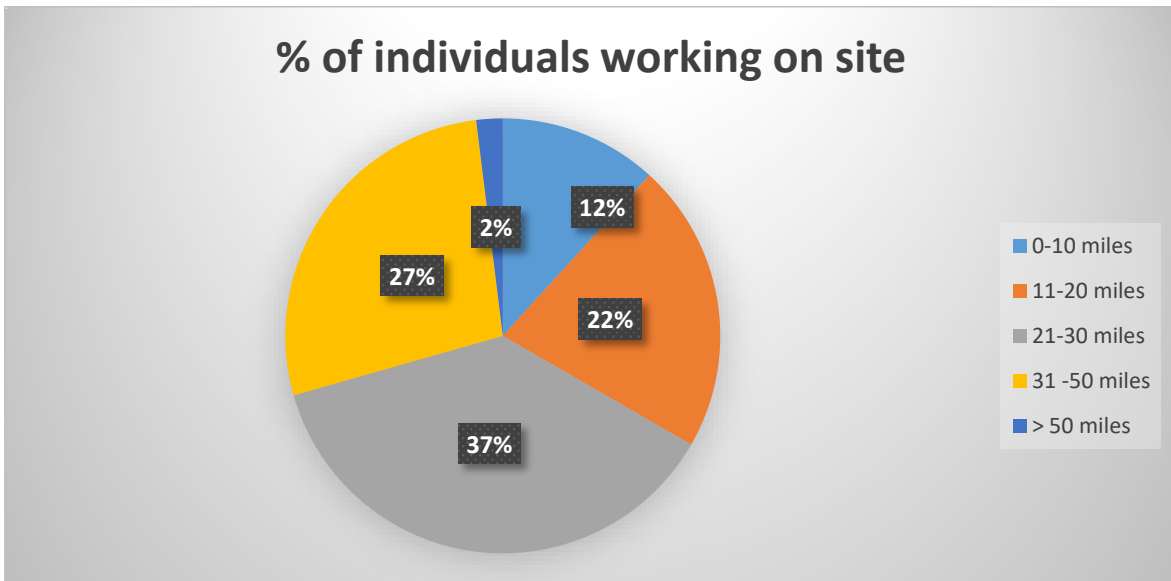


Activity	Coroners and Y Bont at County hall	Extension of the Oak Tree Centre	Welsh Language Block
1a. Work Placements in Education Student (Counted)	1	-	-
3. Careers events - not in education Event (Counted)	3	1	2
5a. Qualifications - main contractor Individual Opportunity (Awarded)	1	-	1
5b. Qualifications - subcontractor Individual Opportunity (Awarded)	1	-	-
5c. Short duration courses - main contractor Individual Opportunity (Awarded)	4	2	7
4a. Apprenticeship weeks Apprenticeship week (Counted)	8	2	12
4b. Traineeships or Equivalent Traineeship week (Completed)	13	-	-
6. Training Plans Plan (Recorded)	-	-	1
1b. Work Placements Not In Education Work Experience Employee (Counted)	-	-	3
7. Case Study Report (Reported)	-	-	1
2a. Jobs created for apprentices Apprentice (Created)	-	-	2

Activity	Coroners and Y Bont at County hall	Extension of the Oak Tree Centre	Welsh Language Block
2b. Jobs created for new entrants New person (Created)	-	-	2
5d. Short duration courses - subcontractor Individual Opportunity (Awarded)	-	-	26

Coroners Court and Y Bont Supply Chain Mapping

	Mile radius from Home address to Construction Site					Total number of Individuals on site	
	0-10 miles	11-20 miles	21-30 miles	31 -50 miles	> 50 miles		
% of individuals working on site	12%	22%	37%	27%	2%	100%	
No of individuals	6	11	19	14	1	51	
% of individuals living within the local authority postcode	67%						
% of individuals living within Wales	83%						

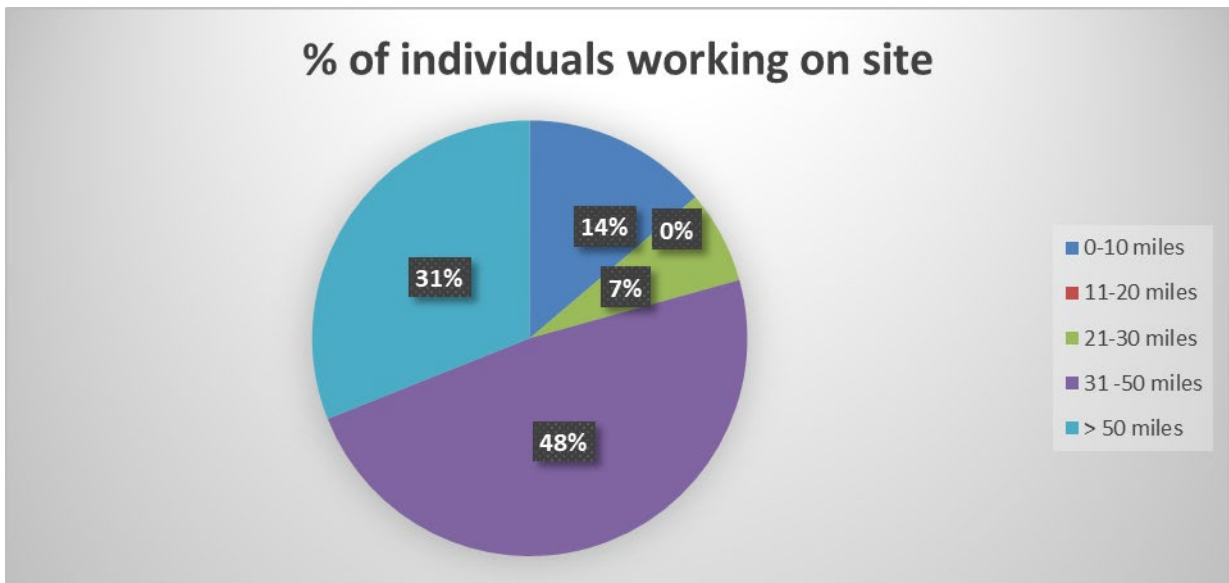


90% total expenditure was within 30 mile radius

Oak Tree Supply Chain Mapping

	Mile radius from Home address to Construction Site					Total number of Individuals on site	
	0-10 miles	11-20 miles	21-30 miles	31 -50 miles	> 50 miles		
% of individuals working on site	14%	0%	7%	48%	31%	100%	
No of individuals	4	0	2	14	9	29	
% of individuals living within the local authority postcode	33%						
% of individuals living within Wales	50%						

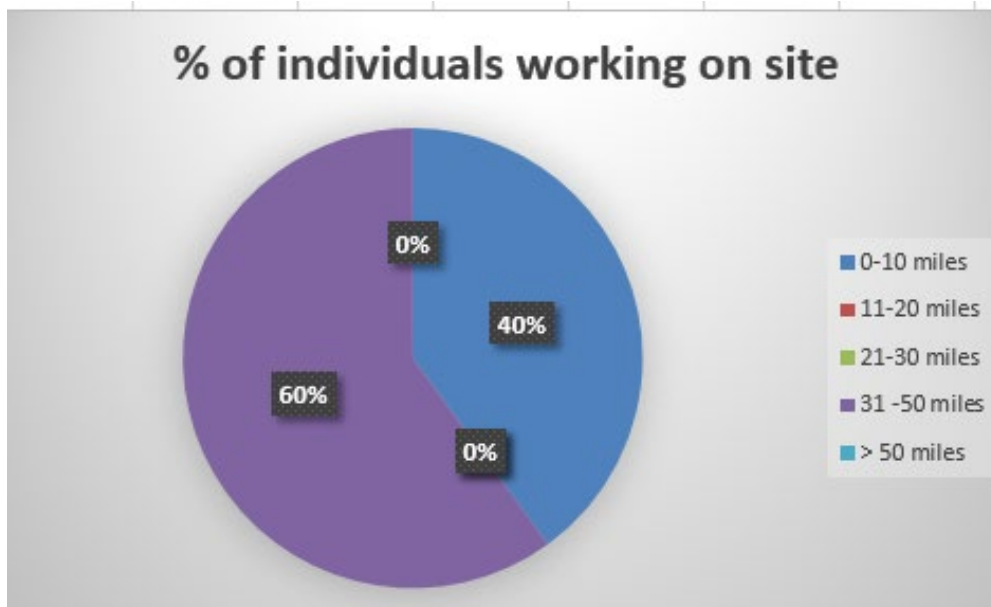
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81% total expenditure was within 30 mile radius

Welsh Language Block Supply Chain Mapping

	Mile radius from Home address to Construction Site					Total number of Individuals on site	
	0-10 miles	11-20 miles	21-30 miles	31 -50 miles	> 50 miles		
% of individuals working on site	40%	0%	0%	60%	0%	100%	
No of individuals	16	0	0	24	0	40	
% of individuals living within the local authority postcode	insert % manually						
% of individuals living within Wales	insert % manually						



39% total expenditure was within 30 mile radius

References to any associated documents or products such as a Corporate plan, Service Business Plans or external drivers

- Denbighshire County Council Corporate Plan
- Zero Carbon policies
- WG Procurement policies
- Modern Slavery Act
- Future Generations Act
- Freedom of information act
- Welsh Language policy
- WG & DCC CB Policy
- Zero defects
- Project Bank Account
- Construction Playbook

2022

- [WPPN 02/22: Transparency – publication of contract award notices](#)

2021

- [WPPN 12/21: Decarbonisation through procurement - Addressing CO2e in supply chains](#)
- [WPPN 11/21: Ethical employment in supply chains for the Welsh public sector](#)
- [WPPN 10/21: Blacklisting in the construction industry for the Welsh public sector](#)
- [WPPN 09/21: Sourcing building materials for construction projects in Wales](#)
- [WPPN 08/21: Cyber Essentials](#)
- [WPPN 07/21: Small and Medium sized Enterprises \(SMEs\)-friendly procurement](#)
- [WPPN 06/21: Decarbonisation through procurement - Taking account of Carbon Reduction Plans](#)
- [WPPN 05/21: Guidance on reserving below threshold procurements for Welsh public sector contracting authorities](#)
- [WPPN 04/21: Guidelines for deploying Welsh Government project bank account policy](#)
- [WPPN 03/21: Project bank accounts policy](#)
- [WPPN 02/21: Reserving contracts with businesses with a public service mission](#)
- [WPPN 01/21: Sourcing steel in major construction and infrastructure projects in Wales](#)

Cost

An Inter Authority Agreement has been signed by each of the NWLA committing to pay £15K each per annum per Local Authority, this may need to be extended for an extra year or decide that the agreement remains in place for as long as we continue to have a Framework.

For Denbighshire, this sum is already budgeted for within existing operational budgets. This arrangement supports the employment of the Framework Management Team and associated activity.

An income generation strategy exists alongside these contributions in the form of a fee that is charged to other Public Sector Bodies wishing to utilise the Framework.

Decisions on how any surplus income generated through the Framework is spent are agreed upon by the Framework's Strategic Management Board – which has senior officer representation from all six North Wales authorities (Gary Williams is Denbighshire's representative on this Board). Such income could be spent on additional training, supply chain initiatives, or potentially shared out between the partner authorities.

Recommendation

To approve extending the Framework for one year, will provide time for projects to continue to be let as per the programme and time for new legislation to be released and/or embedded into the processes, to be utilised when procuring a new Framework.