

# Supply chain strategy update



# Supply Chain Strategy Update

On the 28th September 2017 we released our supply chain strategy with a promise of a 6 monthly update on how we are performing against it. We also held a workshop on the same day investigating “What good looks like” and we have been doing some work around the information gathered which we are keen to share with you.

## **This update is made up of:**

- Programme and Project Partners  
– Covering how to get work
- Strategic Supplier Relationship Management
- Outcome Based Contracting
- ISO440001 Collaborative Business Relationships Management update
- Performance against our strategy
- What does good look like and actions taken
- Follow up workshop

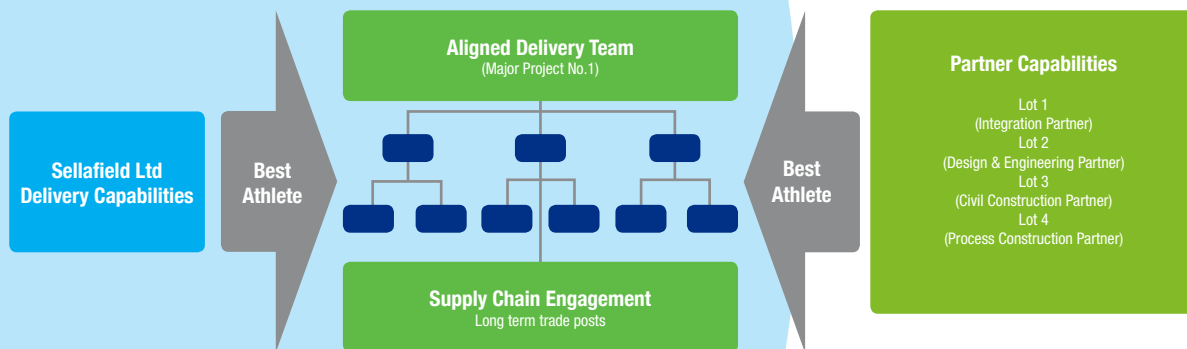
“ Safely and securely remediate the Sellafield site to benefit the industry, nation and region. ”

# Programme and Project Partners

There seems to be a misconception that Programme and Project Partners is going to close the market to the supply chain.

We have spoken to many people who cannot see where opportunity for their business will lay once the contract is awarded around summer of this year. Sellafield Ltd have deliberately and carefully designed the model to ensure that the local and national supply chain benefit

from delivering most of the work at Sellafield Ltd. Whilst we have to be mindful of the ongoing public procurement process, we want to share and clarify what we can to highlight the opportunity this will bring to the supply chain.



## PPP Some Key Facts:

- The Programme and Project Partners is a 20 year contract
- It is an outcome based contract with incentives tied to successful project outcomes
- The Programme and Project Partners will deliver all of Sellafield Ltd’s Major Projects over that period
- It is based on high degrees of collaboration, integration and alignment
- Lot 3 and 4 are Management Contractors and require a supply chain and trade pack strategy to execute the works

## What will each of the Lot partners do?

LOT	TITLE	SCOPE
1	Integration Partner.	Responsible for provision of Project Management and related services to integrate the delivery of Major Projects.
2	Design and Engineering Partner.	Responsible for the provision of Design and Engineering services to deliver the front end design of Major Projects.
3	Civils Construction Partner.	Responsible as a Management Contractor for the execution of the construction works through the integration and placement of trade packs on projects with a Civils bias.
4	Process Construction Partner.	Responsible as a Management Contractor for the execution of the construction works through the integration and placement of trade packs on projects with a Process bias.

The Integration Partner (Lot1) will be required to provide strategic and enabling project management support as required to structure and deliver the portfolio of major projects and Site-Wide Project Delivery Improvements under the Programme and Project Partners Project.

The Design and Engineering Partner

(Lot2) will be required to provide the design and engineering capability and services required to deliver the portfolio of major projects and Site-Wide Project Delivery Improvements under the Programme and Project Partners Project. A key element of the Design and Engineering Partner’s role will be coordinating input from the other Lot Partners, in particular

the Lot 3 Civils Construction Partner and Lot 4 Process Construction Partner, to optimise design, constructability and associated costings.

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The Civils Construction Partner (Lot 3) will be required to provide construction management expertise in delivery of the portfolio of major projects and Site-Wide Project Delivery Improvements under the Programme and Project Partners Project. In the early years these will be predominantly major projects with a civil and structural works bias but this focus may change over time. As regards the initial major projects, it is anticipated that the Lot 3 Civils Construction Partner will be the lead Construction Partner for the SRP project. The Lot 3 and Lot 4 Partners will work collaboratively together (and with the other Partners) to develop an integrated supply chain as part of the procurement plan for the Programme and Project Partners to deliver the portfolio of major projects.

The Process Construction Partner (Lot 4) will be required to provide construction management expertise in delivery of the portfolio of major

projects and Site-Wide Project Delivery Improvements under the Programme and Project Partners Project. In the early years these will be predominantly major projects with a process plant bias but this focus may change over time. As regards the initial major projects, it is anticipated that the Lot 4 Process Construction Partner will be the lead Construction Partner for the SCP project. The Lot 3 and Lot 4 Partners will work collaboratively together (and with the other Partners) to develop an integrated supply chain as part of the procurement plan for the Programme and Project Partners to deliver the portfolio of major projects. In the first instance we will require the four Lot Partners to deliver three initial major projects: SPRS Retreatment Plant (SRP), SIXEP Contingency Plant (SCP) and Replacement Analytical Project (RAP).

## How do I get work?

As you will see from the diagram the delivery team will let trade packs which in essence are a contract of works, such as electrical work on the project. It is key to remember this is not an EPC contract and these partners will be working in a management contracting / professional services capacity, meaning the blue collar work will have to be done through the supply chain. It is likely that over 50% of the spend through Programme and Project Partners will go through the supply chain. This does mean whilst you will see a down turn in potential Tier 2 opportunities there will be a large amount of Tier 3 opportunities and Programme and Project Partners will be centred on Sellafield Ltd's commitment to SME and Supply Chain growth.

The Programme and Project Partners won't have the capability, or the capacity to deliver major projects without the supply chain.



# Strategic Supplier Relationship Management (SRM)

As part of the Supply Chain Transformation programme, we have engaged a best of breed organisation called State of Flux to undertake the first phase of our Supplier Relationship Management (SRM) Programme, which is a diagnostic of where we are now from an SRM perspective against leading organisations in this field.

This initial phase includes a Voice of the Supplier Survey. 118 members of the supply chain were invited to participate in the survey, of which we got a 77% response rate, for which we would like to thank those of you that participated. Your views are absolutely critical to us in developing the right SRM programme and in maximising value through the supply chain.

This diagnostic phase will be concluded by the end of March, from which we will develop a plan to mobilise, the next phase of the SRM programme, which will include:

- Identification of the first 5 suppliers to go live with.
- The identification, training and development of those individuals responsible for driving the relationships forward for each of the 5 suppliers (on both the Sellafield Ltd and supplier side). The training will focus on behaviours, approach and alignment, as well as the technology platform to be used as an enabler.
- Mobilisation and embedding SRM within each of the 5 supplier relationship.

The final phase of the programme will be to rollout SRM to c.20 key supplier relationships in total, while also defining which aspects of the SRM programme should be developed and rolled out more broadly into our contract/ supplier management activities.



# Outcome Based Contracting

OBC is being tested through a pilot project, the remediation of Pile 1 East Blower House.

Detailed Phase 1 planning was completed to time and budget in autumn 2017, providing strong early evidence to help prove the OBC concept. Phase 2 is progressing quickly, with learning being incorporated into a new 'business as usual' for future OBC projects.

Planning is now underway to deploy OBC to the remediation of the Calder Turbine Hall A complex. Although this project is larger and more complex than Pile 1 East Blower House, by empowering our supply chain to lead delivery OBC is expected to achieve significant benefits.

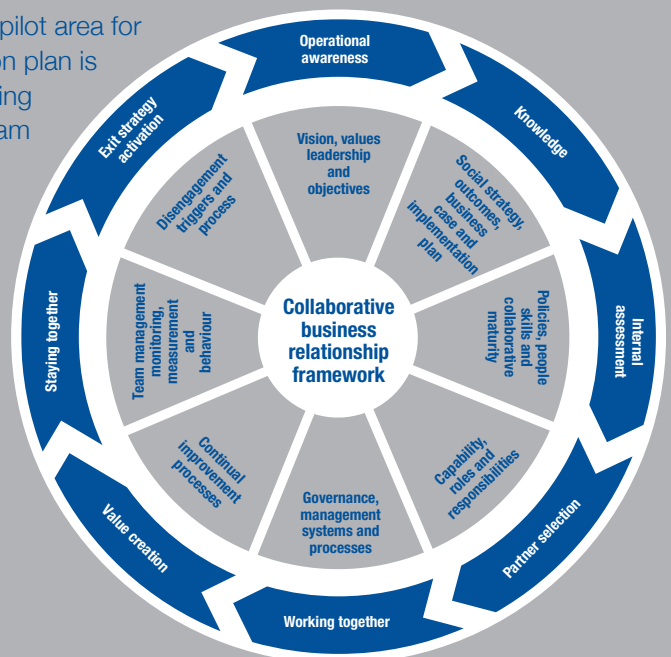
Beyond this, Sellafield is planning to deploy OBC on a wide range of substantial remediation projects across the portfolio.



# ISO 44001:2017 Collaborative business relationship management – Update

- Good progress has been made to develop the plan to implement the standard at Sellafield Ltd.
- Sellafield Ltd has engaged the services of a small to medium enterprise (SME) via the first LINC opportunity launched in November 2017.
- A collaborative survey has been launched with key personnel in the business, the analysis of the responses to determine the key findings and recommendations are ongoing.
- A gap analysis of the Sellafield Ltd management system (SLMS) is almost complete.

- Identification of a pilot area for the implementation plan is ongoing, but looking to align work stream with other areas of the business implementing the standard or working to the principles of the standard.



# Performance against our strategy

## Things we committed to change and where we are up to:

- A clear robust procurement plan – today we are rolling out our procurements on a page to give you a good insight to the future planned work
- Greater transparency and early engagement – over the past 12 months we have held a number of engagement days to get our supply chain involved early to allow time for collaborative conversations and to allow input into the specification
- Open and honest dialogue – We continue to strive to have open and honest dialogue at the heart of all we do
- Tenders and evaluations undertaken in a timely manner in line with the programme – This is part of the supply chain restructure that will see the development of a high performing procurement team which seeks to meet given timescales
- Recognition that an effective supply chain is an extension of our own organisation and the need to shift from our more traditional master slave type relationships. – This is being developed through our commitment to:
  - ISO44001
  - Agile contracting

- Outcome based contracting
- Programme & Project Partners
- SRM
- Performance Assurance Framework
- A supply chain that enjoy and value working with Sellafield Ltd in a truly collaborative nature – We believe we have made steps toward this but will need to poll this with our supply chain to ascertain whether a change has been felt
- Improved forecasting of work to be put through contracts / frameworks to allow the supply chain to invest, mobilise and add value – In our new structure we will have a position for Future Spend Profiling that will give us improved sight of this
- A clear forecast of work to allow supply chain to invest locally and establish a local presence where appropriate - Forward work planning through Future Spend Profiling
- Removal of barriers to entry, allowing SME's to engage direct with innovative solutions and breakthrough technologies – Introduced LINC with Sellafield Ltd as a first step in removing barriers. Next we will be launching LINC with DDP which in essence gives a standardised PQQ, giving the opportunity to register once

to work with all the DDP partners and gives visibility of relevant opportunities

- A clear route where the supply chain can showcase products, services and new thinking / ideas – The establishment of the Supply Chain Development Team gives that link into Sellafield
- A safe environment where the supply chain can communicate problems they are experiencing without judgement – The Supply Chain Development Team is working as the conduit between the supply chain and Sellafield and acts as a safe place to raise concerns and challenges which they can assist you to overcome
- A supply chain without a singular reliance on Sellafield Ltd, but who understand that they need to adapt and diversify their business in the creation of longer term value with the support of Sellafield Ltd – We are in the process of recruiting a Supply Chain Manager, Innovation and Diversification who will assist in the diversification process
- Working in partnership with the supply chain on joint ventures utilising the collective expertise, unique capabilities and knowhow – There is ongoing work in this area through our Transformation Team



# What does good look like?

At the last Director's Forum we ran a workshop on what does good look like. As promised we collated the information and have an update on the information gleaned and the actions taken.

## Communication

### Challenges:

- Getting to the right person / decision maker / problem holder
- No Organisation chart or who is who
- No one to discuss across department ideas with
- No Facebook

### Actions taken:

- Creation of Supply Chain Development Department (SCD) – conduit between supply chain and Sellafield Ltd.
- Can use SCD to find out the right person to speak to. Using an Organisation chart will often lead to wasted conversations as many titles are ambiguous and different from that in the outside world. The team, where appropriate, will introduce your business to the decision makers
- We now have improved our social media presence, and you can follow us on both Facebook and Twitter.
- Supply Chain strategy, directors forum and regular events support our open and honest communication

## Quality

### Challenges:

- Poor quality specifications
- Poor scope / scope creep
- Inappropriate quality standard

### Actions Taken:

- Recognition that we have been supplying sub optimal specifications which can lead to a number of TQs. Through category management we have a cross functional team working together to update all specifications, it is a long journey which won't happen overnight but we have started on it and are committed to reach the end

## Procurement

### Challenges:

- Short timescales for tender return
- Unrealistic programme caused by delayed tenders
- Late supply chain engagement
- Failure to meet dates – RFQ, category management, ITT, contract award
- Procurement not respected by other departments leading to a vacuum that is price focused as opposed to value focussed
- Inefficient ordering system with too many people involved
- Process excludes or is difficult for Micro / SME businesses – risk, insurance / assurance, prequalification criteria
- Forward plan on procurement is only 1 year

### Actions Taken:

- Spending more time conducting pre-engagement to prepare the supply chain

- Behavioural transformation – Listened to comments and investing in changing our behaviours across the business
- Cross cutting waste work – Stream lining process – cross functional team
- Procurement Plan – New role in structure master planning manager and Forward Spend Profiling. Procurements on a page giving further details into individual procurements
- Collaborative working both internal and external to drive value and shape effective relationships
- Through rolling out category management into other key spend areas it will improve collaboration in providing fit for purpose solutions

## Accounts

### Challenges:

- Do not pay on time / late payments
- Clearing invoices for approval – process isn't working with invoices 10 months old

### Actions Taken:

- Whilst 96% of our invoices are paid on time within 30 days, we are undertaking a review of processes for improving payment validation and receipting of goods and services.





# Follow up Workshop

Following on from this work we identified some areas that we felt we needed further clarification on. Those areas were:

- Badly managed tender process / CTM not effective
- Going to tender to early
- Too much risk being cascaded down from Tier 2's to lower tiers in the supply chain
- Unreasonable terms and conditions
- Do not approve payment to tier 2 which then affects tier 3 and 4 suppliers

We held a follow up Workshop on the 22nd January with 40 members of the Supply Chain who have had issues in the areas outlined to establish what the issues were and how we could come up with a solution to those issues. We would like to thank all of those companies and individuals who supported the workshop and spoke so openly and honestly to us.

The outcome was:

- We will continue to raise the capability within the supply chain directorate to improve the quality of the contracts and tenders we issue
- We will examine and re-baseline, as appropriate, our current requirements regarding:
  - Insurance
  - LD's
  - PCG's
  - Limited Liabilities
  - Risk
- Investigating how to make our contracts more user friendly and appropriate
- Ensuring that our Tier 3 & Tier 4 partners know they can utilise the Supply Chain Development

Team if they are struggling with relationships with our Tier 2 partners

- Looking for improvement through governance particularly around process and planning and the implications to our supply chain
- Remind our Tier 2 partners of their commitments to pay within 30 days. We do not accept longer payment terms or paid when paid agreements. We have committed to start implementing transparency of Tier 2 payment performance.
- Creating an online how to guide for CTM for both our internal and external customers

## In conclusion

Whilst we feel we have achieved a great deal over the past 6 months, we understand we are only at the beginning of our journey. We are heading to good but we are striving for great!

Should you want to discuss any of the information within this document or want further details on how to do business with us or how we may be able to support you on innovation and diversification, in the first instance, please contact our Supply Chain Development Team on the email address below:

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