

A Consultation on NDA's Supply Chain Development Strategy

Comment period: July 2008 – September 2008

FOREWORD

This document forms part of the Nuclear Decommissioning Authority's Strategy Management System which has been established to control the development and dissemination of individual Topic Strategies. Together with supporting references, this Topic Strategy presents the NDA's current strategic position in respect of the Supply Chain. Other Topic Strategies are available on the NDA website www.nda.gov.uk.

1 Executive Summary

A healthy supply chain has never been more important to the NDA as it pursues its mission to cleanup the legacy of the UK's civil nuclear programme.

In the NDA's draft Business Plan for 2008 – 2011 we stated that:

'To support the development of a competitive clean-up industry, we will design and implement a strategy for supply chain development and improvement over the period.'

Although the Site Licence Companies (SLCs) let the contracts for the projects they need directly, NDA needs to take a strategic view on Supply Chain development and improvement across its portfolio.

This document is the first stage of designing the strategy for going forward and we are seeking views from a wide range of Stakeholders.

There are current activities within the Supply Chain development area that are focussed on improving communications, availability of information and consistency of processes. This tripartite work between NDA, the SLCs and contractor representatives will continue and new initiatives will be implemented with the aim of increasing the attractiveness of the NDA portfolio in the market.

NDA will know if there is a healthy Supply Chain if, for both NDA and SLC procurements:

- Sufficient expressions of interest are received to run successful competitions;
- Those who express interest are suitably qualified to meet any pre-qualification requirements;
- Sufficient tender responses to competitions are received;
- Tenders are received which comply with the requirements;
- Each party considers it is in a 'win-win' situation for the subsequent contract with good collaboration in order that contracts are delivered to time and cost.

The objective of the Supply Chain Development Strategy is that the NDA portfolio is seen as the 'Market of Choice' by Contractors.

The planned actions detailed in section 5 are aimed at helping to achieve this objective. The goal being that the NDA portfolio is seen as stable yet dynamic – there is a need to demonstrate; rigorous make/buy decisions with any resulting new requirements put out to tender, appropriate funding, contract durations and 'bid' to 'win' ratios for Contractors. Risks should be placed with the most appropriate holder and reward strategies must be appropriate to the requirements – either specifically designed for SLC requirements as needed or as a generic model for supply categories.

The NDA's Supply Chain policies will continue to develop following consultation, as more information is received, and greater understanding of the whole Supply Chain is gained. NDA does not seek to favour a single Supply Chain, market sector or nationality, but rather seeks to attract appropriate Contractors to support NDA's mission.

This strategy should be read in conjunction with 'Supply Chain Development – Background' (ref 3.5.14.20.1, July 2008) a separate document containing background information on factors that affect the

Supply Chain and NDA Supply Chain Questionnaire 2007/08 which provides statistics on Supply Chain spend within the NDA portfolio, both available on the NDA web-site.

2 Introduction

2.1 *The NDA's mission as supported by the Supply Chain*

The Supply Chain plays an important part in the NDA's mission for decommissioning and clean-up of the UK's civil public sector nuclear sites, and supports the NDA's strategic priorities:

- Encouraging the highest standards in safety, security and environmental management;
- Driving hazard reduction;
- Securing our funding framework;
- Gaining the support and confidence of our stakeholders;
- Achieving more for less;
- Developing integrated waste solutions;
- Maximising commercial value;
- Building an effective industry; and
- Creating a world-class organisation.

Consultation Question 1: Which aspects of working in the NDA portfolio do you value?

2.2 *NDA spend in the Supply Chain*

To understand our Supply Chain in more detail and how we may need to influence Supply Chain development we need to understand how much is being spent in the Supply Chain, and any trends emerging from that spend.

The NDA currently has a budget of approximately £2.8 billion per year from 2008-11, the majority of which is used to fund the activities of Site Licence Companies (SLCs) via Management and Operations contracts for carrying out commercial operations, decommissioning and clean-up activities.

SLCs are allocated Annual Site Funding Limits (ASFLs). Figure 1 shows the percentage of ASFL spent internally versus spend in the Supply Chain.

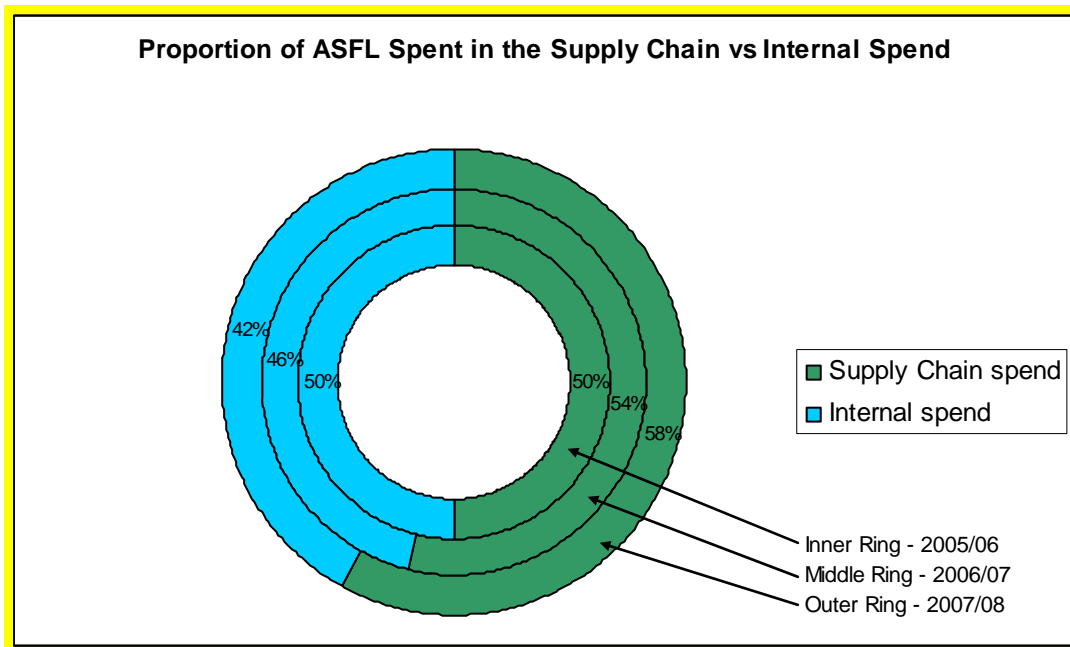


Figure 1 – Proportion of ASFL spent in the Supply Chain vs Internal Spend

The largest proportion of NDA's funding is initially awarded to the SLCs, and of that spend, the largest proportion enters the Supply Chain at Tier 2, approximately £1.3 billion for 07/08.

Further analysis of SLC Supply Chain data has also shown that approximately 35% of the spend that enters the Supply Chain at Tier 2 goes to 20 Contractors. Of the £1.3 billion spent at Tier 2, there is currently insufficient data to analyse how this money flows down into the lower levels of the Supply Chain.

The NDA Supply Chain Questionnaire 2007/08 provides more detailed analysis of Supply Chain spend across the SLCs.

3 NDA Roles, Responsibilities and Aspirations

3.1 NDA's role in the development of the Supply Chain

NDA has looked at the options for implementing a Supply Chain Development Strategy. 'Do nothing' is not an option, as NDA has an obligation under the Energy Act to promote competition for the services it requires to deliver its mission.

Figure 2 below shows the current NDA contracting model with direct contracts between the PBO and SLC for managing the sites.

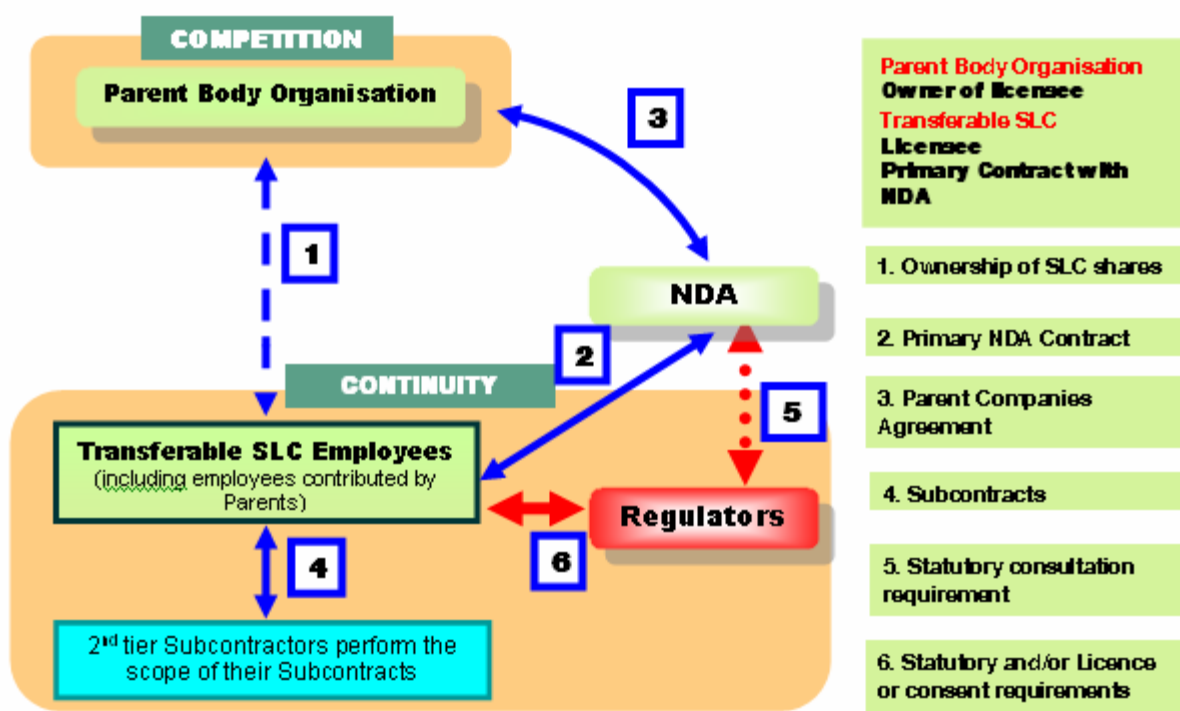


Figure 2 - Contracting Model

At a very simple level, it could be argued that the NDA's supply chain is limited to the SLCs and their Parent Body Organisations (PBOs), the direct goods and services the NDA needs to run its corporate activities, those required by its subsidiaries and those required for the work of the Managing Radioactive Waste Safely (MRWS) programme. Hence there is an option to only look at these areas of the Supply Chain, and not beyond.

There are however, other factors to be considered:

- The NDA is in a unique position to provide a strategic role in developing and managing the wider Supply Chain for its portfolio of work due to the ability to assess performance across all of its SLCs and identify best practice or areas for improvement;

- Significant spend goes into the Supply Chain at Tier 2 and it is important that the NDA encourages behaviours that drive value for money; and

Therefore, to be successful in meeting its objectives, the NDA needs to understand the impacts of the demands from the various SLCs on the Supply Chain. We have a certain amount of information on Supply Chain activities at a PBO/Tier1 (SLC)/Tier 2 level, but there is still work to do to understand activity at the lower Tiers, and whether the NDA needs to do more, or can do more to develop the Supply Chain in this area.

The Supply Chain via a range of Trade Associations has raised various contracting issues across the NDA portfolio that need to be addressed in the areas of; delays to procurement processes, poor communication and selection processes, which if left unresolved could lead to the NDA market becoming less attractive. This has led to the formation of the Supply Chain Improvement Project (SCIP) which is addressing these issues – see section 3.3.

In addition, the NDA can link into other Nuclear Clients or those with requirements that have appropriate synergies, eg Oil and Gas, to look at further improvements and developments across the wider Supply Chain.

The requirements of the EU Procurement Directives also need to be considered, where the SLCs are legally and contractually required to comply with them. The NDA supports the principles of the Directives as they promote open, transparent and fair procurement practices.

Taking into account the Energy Act obligations, feedback from trade associations on SLC performance and the NDA's strategic position it is clear that the NDA has roles and responsibilities in the Supply Chain wider than just those at the Tier 1/PBO level. The NDA has therefore opted to look at Supply Chain Development in its widest sense.

3.2 Benefits of Supply Chain Development and Management

There are a number of benefits to the NDA and SLCs obtained through developing and improving efficiency and transparency in managing the Supply Chain, these include:

- Better risk allocation;
- Greater visibility of subcontracting opportunities;
- Greater opportunities for innovation;
- Better defined requirements from early Supply Chain involvement in shaping the business need;
- Improved ability to identify risks or bottlenecks in contract delivery; and
- Better quality solutions offered by contractors.

These benefits can lead to increased value for money and efficiency for the NDA, the SLCs and the PBOs, as well as improved profitability and turnover for the contractors. There are also wider benefits in that Supply Chain management can contribute to improving long-term sustainability and better capacity

management of supply markets through the availability of a more competitive and diverse supply base at subcontractor level¹.

3.3 Current NDA and SLC initiatives to develop the Supply Chain

3.3.1 National Solutions

The NDA seeks national solutions for national problems. There are various initiatives being developed that involve not only the NDA working with the SLCs and the Supply Chain directly, but such organisations as trade associations, academic establishments, and Regional Development Agencies.

The NDA has created a team dedicated to developing a Supply Chain that can work effectively across all 19 sites. The contact details for the team are at section 8. In addition, some of the SLCs have appointed Supply Chain 'Ombudsmen' with specific local obligations to support open competition.

3.3.2 NDA Activities

NDA Supply Chain Development activities can be split into three groups:

1. Those that directly address Supply Chain issues and are overseen by the Supply Chain Development team eg improvements in SLC procurement processes across the portfolio;
2. NDA competitions requiring specific Supply Chain development activities e.g. PBO competitions and the geological disposal facility.
3. Projects and initiatives aimed at making improvements or obligations that impact the Supply Chain eg collaborative procurement, innovations, National Skills Academy, pension obligations;

Supply Chain Development Team

The Supply Chain Development team has been working to understand Supply Chain activity within the NDA portfolio.

The Supply Chain Questionnaire 2007/08 issued to our SLCs is the first time Supply Chain information has been consolidated across the NDA portfolio. The initial report covers the first three years of the NDA's operation. This data set will continue to be maintained and developed to inform and evolve the Supply Chain development strategy in the future.

As well as collecting and analysing empirical data, key tasks for the team have included talking directly with the Supply Chain, SLCs and organisations such as Regional Development Agencies to test perceptions and behaviours, and to build a greater understanding of the factors affecting the market.

Respecting that SLCs let contracts directly with the Supply Chain, the Supply Chain Development team's normal role is to identify general market issues rather than become involved in individual disputes.

In order to engage with the Supply Chain the NDA has so far created three initiatives:

- i) the aspiring PBO forum
- ii) the Supply Chain Improvement Project (SCIP)
- iii) a national forum representing Tier 3/4 and Small and Medium Enterprises (SMEs),

¹ Source: OCG – Supply Chain Management in Public Sector Procurement: a Guide 6 June 2005

The aspiring PBO forum is a collaboration between the NDA, the Nuclear Industries Association (NIA) and 25 international companies. The forum has aided two-way discussion between the NDA and aspiring PBO companies or those Contractors looking to manage large-scale nuclear projects, and aims to identify improvements based on industry best practice and experience helping the NDA evolve its current PBO and M&O contracts. The group plays a role in ensuring that the NDA's competitions are effective and efficient. The creation of the working group provides a unique opportunity for the aspirant PBO companies and the NDA to work in genuine partnership towards defining commercial arrangements which encourage world class performance. This working group has already prepared papers on such issues as insurance, intellectual property, nuclear indemnity and shared services for discussion. How the group goes forward will be somewhat dependant on the NDA competition programme and the ability of the participants to bring forward examples of world class performance from other clients or markets.

SCIP was set up following issues raised by the Supply Chain particularly via the NIA. SCIP provides a forum for strategic engagement between SLCs, the market via the NIA and the NDA on topics relating to improving the attractiveness and the health of the market supporting the portfolio of NDA sites. Initiatives implemented by SCIP include standardisation of generic contractor information required by SLCs, and an initial standardisation of NEC contract conditions flowdowns (conditions flowed down from the NDA to SLCs for use with New Engineering Contracts going out to market). Further improvement topics raised by the NIA and others will continue to be considered by this forum.

The NDA national forum for Tier 3/4 and SMEs provides the opportunity for strategic engagement between the NDA and organisations representing the Supply Chain at Tier 3/4 and SME level, again on topics relating to improving the attractiveness and health of the market supporting the NDA's portfolio of sites. Businesses are represented on the forum by a number of different organisations including Regional Development Agencies, business support organisations, industry associations as well as Tier 2 contractors via the NIA and the SLCs.

The Supply Chain Development team promotes the NDA portfolio within the nuclear Supply Chain in the UK and overseas, and also within industries with which there are synergies, by attending and as appropriate presenting at regional, national and international conferences, workshops or other events.

As one of the NDA's principal objectives is to encourage the highest standards in Health, Safety, Security and Environmental (HSSE) performance, the team liaise closely with Regulators on initiatives that impact the supply chain chairing the Contract and Competition Working Group (CCWG), which looks at competition and commercial activities from a policy perspective.

NDA Procurement and Competitions

NDA advertises its contract opportunities on its website to which Contractors can express interest, and as required on the Tenders Electronic Daily (TED) to meet EU Procurement Directives. It also targets market engagement activities for major competitions eg PBO and Managing Radioactive Waste Safely (MRWS) requirements by, for example, holding industry days for the major competitions to help the Supply Chain understand the NDA's requirements. We also present our aims and objectives to industry events regionally, nationally and internationally.

The NDA also considers the SCIP initiatives for its own procurements where consistency of processes offers advantages to the parties, eg requirements for generic contractor information.

PBO competition – PBOs are required to produce supply chain and socio-economic management plans as part of specific tender exercises.

Projects, Initiatives and Obligations

The key projects, initiatives and obligations that have an impact on the Supply Chain are:

- **Business Improvement Project:** This is an internal NDA initiative aimed at aligning processes and objectives within the NDA. As part of the project a review has been undertaken of the NDA's approval processes for SLCs' project validation and financial sanction, which includes procurement and commercial activities (processes referred to as CT-14 for project approvals, CT-15 for procurement approvals and CT-16 for commercial approvals). The aim of this initiative is to recognise that the NDA needs to become a more strategic collaborative authority and lessen its role on transactional activities, whilst still assuring the robustness of project delivery from a financial, procurement, engineering and management capability perspective. This project will be ongoing throughout 2008 will require formal approval by the NDA's senior management.
- **Innovations, Concepts:** The Innovations team is working with the SLCs and Supply Chain to look at key processes, what improvements can be made to current decommissioning and clean-up plans and to establish a technology baseline to underpin Research and Development and measure innovation across our programme.
- **Collaborative Procurement:** To aid control of costs and drive efficiency, the NDA is sponsoring 'collaborative procurement' within the SLCs to promote efficiency through the aggregation of common procurements and the implementation of strategic buying initiatives across the NDA portfolio.
- **Skills:** Ensuring the development of a viable Supply Chain, supported by a strong skills base, is fundamental to the delivery of our remit. We plan to continue the good progress made with our partners in establishing the University of Cumbria, in developing the Dalton Cumbria Facility (Nuclear Institute), the National Skills Academy for Nuclear with regional hubs and other key initiatives such as the Community Apprenticeship Scheme – all of which will provide opportunities for the Supply Chain to engage in a world class skills and training infrastructure. In particular, the aim of the Skills Academy is to improve skills in the industry, a skills passport approach is being implemented and will provide employees and contractors working in the nuclear sector with a verified record of skills, training and qualifications. This is supported by the NDA skills being recognised across the NDA portfolio facilitating contractors winning work across multiple sites.
- **Pension obligations:** Under the Energy Act 2004, employees compulsorily transferred for NDA purposes are entitled to "no less favourable" pensions for future service. This applies to NDA-facing employees (not just SLC employees) in place as at 31 March 2005. NDA has a statutory duty to ensure that the Energy Act pension protections are met. The Government's "Fair Deal for Staff Pensions" policy requires "broadly comparable" (equivalent to the Energy Act's "no less favourable" test) pensions for future service. In addition, "Fair Deal" requires transferred employees who join a new employer's pension scheme to be able, if they wish, to transfer past service on a "bulk transfer basis". The Government's policy covers public sector employees who are being compulsorily transferred to employment in the private sector. Importantly for the Supply Chain, the Energy Act protections and the "Fair Deal" requirements continue to apply to subsequent compulsory transfers. Transferred non-SLC employees (e.g. seconded PBO employees) must be given Energy Act compliant pensions, and, where required, bulk transfer arrangements may be necessary.

NDA also supports Regional Development Agencies and other business improvement organisations directly when requested by providing strategic support to their initiatives.

3.3.3 SLC Activities

The SLCs have been actively procuring in one form or another for over 50 years and many have their own initiatives for Supply Chain development and management. There have been reorganisations within the industry both prior to the NDA, and after the NDA's formation that have impacted on how the SLCs carry out their procurement. BNFL had a centralised function for certain procurements and, with the formation of NDA, sites were encouraged to be more proactive in their procurement arrangements. The NDA is now looking at a collaborative procurement for certain requirements to cover all of the SLCs, which will again have an impact in the Supply Chain.

The SLC Supply Chain development and management has evolved based on their historic business needs. The SLCs have their own procurement systems which are embedded into their business systems so harmonisation across the portfolio needs careful consideration in terms of costs and benefit.

SLC initiatives cover some or all of the following activities:

- Regular and routine engagement with the Supply Chain through site interface meetings with forums for Contractors on site to keep abreast of safety, security, health and environmental issues, with procurement and programme matters and other topics affecting the local Supply Chain and economy;
- Hosting relevant industry exhibitions (including those organised by others eg Regional Development Agencies);
- Site management teams have meetings with supply chain representatives including those bodies representing the local supply chain companies;
- Supplier events and 'Meet the Buyer' events; and
- Advertising opportunities on SLC websites.

3.4 SLCs' view on the health of the Supply Chain

In the Supply Chain Questionnaire, the SLCs were asked their opinion of the current health of their Supply Chain. The results showed that there was a varied view on the health of the Supply Chain depending on which SLC, and indeed which site's perspective, this is viewed from. The views are summarised below:

- Health is declining – funding issues leading to loss of confidence;
- Supply Chain supporting Infrastructure is good;
- Supply Chain supporting Projects is threatened; and
- Work needed to improve levels of interest and participation from various areas of the Supply Chain.

Consultation Question 2: How healthy do you think the Supply Chain is both a) locally to SLCs and b) nationally across NDA's portfolio?

Consultation Question 3: Can you identify any factors which positively or negatively impact you in the NDA portfolio Supply Chain?

The SLCs also suggested initiatives they could implement to improve working with the Supply Chain. These include:

- Communication of opportunities at all levels of the Supply Chain to raise client profile and restore confidence;
- Employ more flexible contracting strategies;
- Continue with aggregations and the award of framework contracts in order to make procurements more attractive and secure;
- Involve local contractors as much as possible, within the framework of the EU Procurement Directives; and
- Continue working closely with the Regional Development Agencies.

The NDA will continue to support the SLCs in their initiatives.

Consultation Question 4: Which, if any, SLC Supply Chain initiatives are you aware of?

Consultation Question 5: How effective do you think the initiatives are in assisting the Supply Chain?

Consultation Question 6: What changes would you propose to SLC Supply Chain initiatives?

4 NDA's Supply Chain aspirations

The NDA's role is strategic, due to our obligations under the Energy Act and our unique responsibilities across the whole of our portfolio.

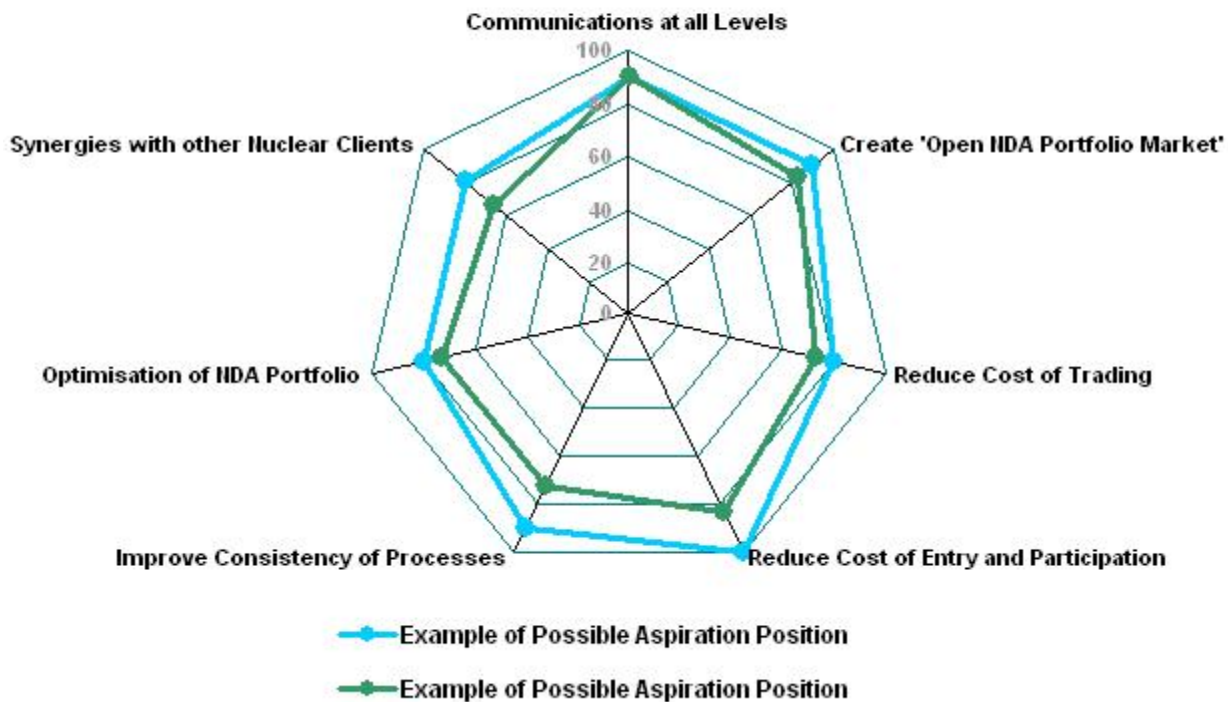
Continuing to develop current initiatives, and taking into account the SLCs' views on the health of the Supply Chain, there are various activities NDA can carry out either directly to influence the Supply Chain, or in conjunction with the SLCs to actively participate within the Supply Chain. The areas identified are as follows:

- Open, transparent, timely and consistent communications at all levels;
- Reduce the cost of and improve the ease of entry and participation into the NDA portfolio Supply Chain;
- Reduce the cost of trading with the Supply Chain;
- Improve the consistency of processes and applications;
- Optimise the NDA portfolio, including synergies with other market sectors;
- Explore synergies with other Nuclear Clients; and
- Create an 'open NDA portfolio Market', with improved HSSE standards.

The NDA believes that by implementing the strategy in these areas, this will give overall value for money benefits, and provide an environment that allows contractors to make a reasonable return on their investment and develop a long term relationship with this market.

Example representations of the NDA's aspirational position on these various topics are given in Figure 3 below:

Figure 3 NDA's Role - Create and Maintain a Competitive Market



Consultation Question:

The NDA has not yet fixed the aspirational position for where each point should be. Should we aspire to be 100% in each area or, if we balance benefit versus cost on each point, where should we be?

As part of the consultation, we are seeking views on two questions about figure 2 above:

Consultation Question 7: What do you consider the current positions to be for the NDA portfolio?

Consultation Question 8: Where should the Aspirational positions be for the NDA portfolio – should they be 100% for all aspects, or are some more important than others?

5 How NDA aims to reach its aspirational position

There are various strategies and tactics the NDA can adopt to reach these aspirational positions as described in the following section. These are summarised in the diagram at Appendix A – Supply Chain Mind Map. To reach these aspirational positions, we will need to work with the SLCs, the Supply Chain and other organisations supporting businesses within the NDA market.

In parallel with these initiatives, the NDA will undertake a formal benchmarking exercise to establish the market's experiences working within the NDA portfolio.

5.1 Communications at all levels

Policy:

The NDA will have open, transparent, timely and consistent communications at all levels of the Supply Chain.

The NDA will communicate with new and existing contractors, but will not contribute to consultant's business development for themselves or other clients where our information is charged for, remarketed and/or rebranded.

There are two main areas where the NDA can influence open, transparent, timely and consistent communications at all levels of the Supply Chain:

- Access to high quality data; and
- Focused and pro-active communications.

5.1.1 Access to high quality information

The Supply Chain is looking for high quality information on proposed projects going out into the market place, policies, and forward plans for the NDA portfolio. Improvements have been made in this area but more can be done. We need to ensure that information is easily available to the Supply Chain via web-sites or publications, and that the information is as accurate and timely as possible.

There are multiple interface points with the Supply Chain with data being presented in a variety of ways. There is some data that should be common to all interface points whether that is via SLCs, a single NDA interface point or a single Nuclear Market interface point.

NDA and SLCs should publish their Annual Procurement Plans on their web-sites. These plans are used by the Supply Chain to understand what work may come out into the market place, when they need to plan for it and who they may need to partner with. The plans therefore need to be standardised as much as possible so that there is consistency across the NDA portfolio.

Planned Action 1: NDA to issue guidance on standardisation of Annual Procurement plans, including frequency of updates and publication protocol.

A project has been initiated via SCIP for standardisation of communication on Supply Chain opportunities and information. Ultimately, there is the potential for a single portal to NDA portfolio information.

Regional Development Agencies are also interested in this information and links need to be made as to how this information is used within the various external portals.

Planned Action 2: Support SCIP initiative on standardisation of communication of supply chain opportunities and information, including the potential for migration to a single information portal.

To understand how the various Tiers may work together, Supply Chain matrix information needs to be available. Procurement Plans normally show the major project that would be bid at Tier 2 level, but more details for the project could be given on the categories of requirement within the project eg mechanical and electrical or ventilation so that the lower tiers within the Supply Chain can identify projects where they could provide services to the Tier 2.

Supply Chain maps need to be developed in sufficient detail for successive tiers to become involved in the Supply Chain, and to understand the Supply Chain from a strategic perspective.

Consideration also needs to be given to providing more information on listing NDA and SLC contract awards and main contractors. This is good practice identified by the Government's Better Regulation Task Force (BRTF). Sellafield is working on a project to include this information on its websites, and there is the potential for this to be rolled out to all SLCs.

Planned Action 3: NDA to encourage SLCs to provide more information on larger projects as to potential packages of work and main Contractors, including supply chain maps.

There are also wider market initiatives to consider eg OGC's construction data base listing all public sector construction projects, where again high quality information on projects is needed to populate the database. The NDA will be using its best endeavours to provide information as it is used by the OGC to conduct analysis in order to identify peaks and troughs in demand and also by the Supply Chain to identify opportunities.

5.1.2 Focused and pro-active communications

The NDA can have a direct input into communications by presenting the NDA portfolio to the Supply Chain at conferences regionally, nationally and internationally, those held by professional bodies e.g. ICEM, BNES, and those held by other nuclear players at venues such as Phoenix and Amelia Island.

The NDA Supply Chain Questionnaire for 2007/08 identified that 37% of spend at the Tier 2 level was with 20 companies. NDA needs to review in more detail the key supplier management processes the SLCs have in place. It may be appropriate for NDA to have direct interfaces with the top 10 suppliers across the portfolio for strategic supplier management.

Planned Action 4: Review SLC key supplier management processes and consider developing key supplier management with the top 10 suppliers across the portfolio.

We can also influence the wider nuclear Supply Chain by exploring opportunities to present with other clients eg MOD, British Energy or New Build players.

Additionally, we can promote the NDA portfolio by presenting at business lunches/business clusters outside of the nuclear market to gain interest from other sectors whose Supply Chains may have synergies with the NDA's e.g. Energy Industries Council, Northern Offshore Federation, Cheshire and Warrington Business Cluster.

NDA contributes to Professional Journals and Trade Association news letters to promote the NDA portfolio and the work and achievements of contractors at all levels of the Supply Chain.

Planned Action 5: Continue to use conferences and journals to promote NDA's portfolio.

5.2 **Reduce the cost and improve the ease of entry and participation into the NDA portfolio Supply Chain**

Policy:

NDA will seek to reduce the costs and improve the ease of entry and participation into the NDA portfolio Supply Chain at all levels.

This objective is concerned with reducing the costs to Contractors to win and manage contracts within the NDA portfolio, and improve the ease of entry in order to make the NDA market more attractive to existing Contractors and new entrants.

For the NDA's PBO competitions the cost and duration of the Competitive Dialogue process needs to be appropriate to the size and significance of the task. Tactics to deal with this are to look at the common areas across all tender exercises to find ways of using one set of information or one exercise to cover several requirements. A benchmarking exercise could also be carried out to compare how long the PBO competitions take in comparison to other large procurements eg projects in the Olympics Delivery Authority's portfolio.

Via SCIP, improvement initiatives have been undertaken in the areas of alignment of Terms and Conditions flowed down from NDA in New Engineering Contracts (NEC), and alignment of generic Contractor information. With regard to NEC flowdowns, contractors should see more consistency between terms and conditions used by SLCs which will reduce their costs in assessing tenders for bidding. More work is needed in this area to rationalise required flowdowns and achieve consistency across the suite of Terms and Conditions used by all SLCs and potentially the NDA. Ultimately, there is the potential to move to one set of conditions within the Nuclear Sector, eg for Tier 2 clauses on Nuclear Indemnity as in other industries.

Planned Action 6: Initiate 'Phase 2' root and branch review of flowdown requirements with the aim of providing consistency across all SLCs.

Alignment of generic contractor information again reduces contractor costs and makes it easier to provide basic company information for prequalification and tender exercises. Currently, there are three separate systems in place across the portfolio, however working within the different systems the SLCs have agreed a common set of questions, and these questions have also been shared with the NDA procurement teams. SLCs are focusing on only requesting generic information once, rather than for each tender exercise which again reduces contractor costs. There is the potential to move to one system across the NDA, which could be considered as part of the collaborative procurement exercise, although there are significant costs associated with changing business systems and this is a longer term aspiration. There is ultimately the potential for one system across the Nuclear Sector.

Planned Action 7: 'Collaborative procurement' to consider further harmonisation/simplification of systems for generic Contractor information across the NDA portfolio.

5.3 **Reduce the cost of trading with the Supply Chain**

Policy:

NDA will seek to reduce the cost of trading with the Supply Chain to control costs and drive efficiency.

The use of collaborative procurement should reduce the cost of trading with the Supply Chain by bringing together spend currently spread between multiple contracts. This will apply to the NDA portfolio for SLCs and can also be considered for NDA direct procurement activities. Collaborative procurement could also be considered with the wider Nuclear Clients to further increase buying power and further reduce costs.

Recognising the impact that collaborative procurement could have on smaller businesses, NDA support initiatives which encourage partnering and businesses working together to meet requirements.

Planned Action 8: Investigate whether collaborative procurement could be used with the wider Nuclear Clients

Early engagement with Contractors on projects could also help to reduce costs and encourage innovation. Other industries have Contractor engagement practices such as 'Concept Viability', an approach used by the IT sector (run by Intellect, the trade body for the IT sector) which consults with relevant technical Contractors on the business case and technical viability of new concepts before issue of the Invitation to Tender. This gives the opportunity to develop realisable specifications but would need to be executed within the requirements of the EU Procurement Directives.

Planned Action 9: Initiate discussions on the use of Concept Viability with SLCs and relevant Trade Associations.

Consultation Question 9: Do you have suggestions for adding value or reducing costs when trading within the NDA portfolio?

5.4 **Improve the consistency of processes and applications**

Policy:

The NDA will seek to improve the consistency of process and applications used between the NDA, the SLCs and the Supply Chain.

There is currently a perception of significant variation between the SLCs, and indeed the NDA, by the Supply Chain including aspects of the procurement processes. This is related to such issues as the length of time it takes to run tender exercises, or how long it takes to award a contract once the preferred bidder has been selected. More work is needed to look at appropriate timescales from expressions of interest to award for contracts in the context of SLCs, the NDA and the wider nuclear or other highly regulated markets.

Common systems and procedures could be introduced in other areas, for example a common procurement system for tenders.

There are also various approaches to sustainable procurement, which may benefit from review of best practice and standardisation of policies across the portfolio. The NDA will be developing its strategy in

line with the various Government policies for procurement such as those dealing with corporate social responsibility, sustainable, environmental, and ethical procurement.

Planned Action 10: Initiate a review of common processes across the SLCs and the NDA to develop a project for distilling best practice by identifying processes and applications that could benefit from greater alignment between the SLCs.

Planned Action 11: Consider developing and publishing NDA procurement policies in ethical and/or sustainable procurement.

Linked to this are the NDA approval processes – CT14/CT15 and CT16, which are also under review. Consideration is being given to delegate further authority to SLCs and the site facing NDA teams recognising the NDA's desire to reduce its involvement in low value, low risk transactional approvals. It is proposed that any new delegations process is scalable to each SLC and tied to site performance.

Planned Action 12: NDA to review its approval processes with the aim to streamline the systems in place and reduce involvement for low value, low risk transactional approvals.

In addition to Planned Action 4 with regard to communications with key suppliers, Strategic Supply Chain Management offers a further opportunity for standardisation of processes to deliver benefit. In order to aid its strategic decision making the NDA must understand which elements of the supply chain are classed as strategic delivery partners and thus are key to the delivery of our obligations and objectives.

Planned Action 13: NDA to develop and agree a portfolio wide supplier positioning model, to aid SLCs and NDA in recognising the strategic importance of individual or collective suppliers.

This Planned Action enables the forming of appropriate relationships, for example where a need for partnering and influence is identified.

5.5 **Optimise the NDA Portfolio**

Policy:

NDA will seek to optimise the NDA portfolio, encouraging initiatives that reduce the dependency of individual Contractors on specific SLCs or sites, with the aim of creating alignment of objectives between the various levels of the Supply Chain, and encouraging synergies with other industries.

From a socio-economic perspective, there needs to be a reduction of dependency from individual Contractors on individual SLCs as funding is prioritised or reprioritised. Contracts with SLCs should be seen as a springboard into work with other SLCs, other Nuclear Clients or entry into new markets needing similar technologies. There also needs to be an appropriate level of 'churn' in the market eg so that new technologies, approaches and companies can be considered and, as appropriate, introduced.

The main way of optimising the NDA Portfolio is to create alignment of objectives between the various levels of the Supply Chain. This has been started with the creation of the various forums; Aspiring PBO group, SCIP, National Forum representing Tier 3/Tier 4 and SMEs.

More could be done with these groups to achieve alignment of objectives and to work with Industry Bodies and Trade Associations to get cross fertilization of ideas from other market sectors.

Planned Action 14: Continue with the existing forums to build on work already done and continue to aid in the alignment of objectives.

Planned Action 15: Initiate setting up a forum of Industry Bodies/Trade Associations which have a major influence over the NDA portfolio Supply Chain.

There are also ways of optimising the NDA Portfolio by supporting the technology transfer both between SLCs and across the wider Nuclear Market – which is being led by NDA Innovations group. Consideration is being given to market development in this area with proposals for a Supply Chain 'innovations event'. This also links to issues such as Intellectual Property and the NDA's requirements will be considered as part of the contract flowdown review.

5.6 **Explore synergies with other Nuclear Clients**

Policy:

The NDA will explore synergies with other Nuclear Clients with the aim of establishing common working practices that reduce costs across the industry.

The current UK Nuclear Clients are MOD, British Energy, any New Build Nuclear entrants and the NDA. There may be advantages in exploring synergies with these entities to establish common working practices eg common Contractor information, and collaborative procurement initiatives to reduce costs across the industry.

Planned Action 16: Initiate setting up a 'Clients Forum' to discuss issues of mutual benefit.

The NDA also has links with overseas Nuclear Clients and will continue to work collaboratively with them.

5.7 **Create an 'open NDA portfolio market'**

Policy:

NDA will seek to create an 'open NDA portfolio market' by reducing barriers to the market, encouraging flexible working processes and improving HSSE standards

The NDA will continue to promote open, transparent and fair procurement practices which reduce barriers to entry.

Key to an open market across the portfolio is the ability for contractors to work on more than one site. This can be supported by the work being undertaken by the National Skills Academy for Nuclear. NDA supports the introduction of a 'passport' system for training that can be recognised by all SLCs, and which should also be a means of improving HSSE standards from the bottom-up through the Supply Chain.

It is also recognised that there may be a need for more flexible working practices, i.e. for a project at Sellafield, a Contractor's staff may come from other parts of the country – if it is recognised that they do not need to be on site full time to carry out work, more flexible working arrangements could be agreed to reduce travel and relocation costs.

Planned Action 17: Monitor the use of contractors used across multiple sites.

6 Funding

The NDA does not have a separate budget for Supply Chain development initiatives. Any initiatives that are taken forward will need to be funded by the NDA and SLCs from existing budgets and efficiency savings. If additional funding is required to implement projects, specific business cases will be developed and considered by the NDA in accordance with its normal business processes.

7 Timetable

The timetable for consultation and agreement of the strategy is:

Consultation period	July - September 2008
NDA consideration of responses	October - November 2008
Final strategy issued	December 2008
Benchmarking	Q4 2008/Q1 2009

The timetable for Planned Activities is as follows:

No	Planned Activity	Timetable
PA1	NDA to issue guidance on standardisation of Annual Procurement plans, including frequency of updates and publication protocol.	Q2 2008
PA2	Support SCIP initiative on standardisation of communication of Supply Chain opportunities and information, including the potential for migration to a single information portal	Q3 2008
PA3	NDA to encourage SLCs to provide more information on larger projects as to potential packages of work and main contractors, including Supply Chain maps.	Q4 2008
PA4	Review SLC key supplier management processes and consider developing key supplier management with the top 10 suppliers across the portfolio.	Q4 2008
PA5	Continue to use conferences and journals to promote NDA's Portfolio	Ongoing throughout period
PA6	Initiate 'Phase 2' root and branch review of flowdown requirements with the aim of providing consistency across all SLCs.	Q1 2009
PA7	'Collaborative procurement' to consider further harmonisation/simplification of systems for generic contractor information across the NDA Portfolio.	Q2 2009
PA8	Investigate whether collaborative procurement could be used with the wider Nuclear Clients	Q3 2009
PA9	Initiate discussions on the use of Concept Viability with SLCs and relevant Trade Associations.	Q3 2008
PA10	Initiate a review of common processes across the SLCs and NDA to develop a project for	Q2 2008 Noting that any implementation of actions

	distilling best practice by identifying processes and applications that could benefit from greater alignment between the SLCs.	would be over the 3yr period
PA11	Consider developing and publishing NDA procurement policies in ethical and/or sustainable procurement.	Q3 2008
PA12	NDA to review its approval processes with the aim to streamline the systems in place and reduce involvement for low value, low risk transactional approvals.	Q2 2008 Noting that implementation and transition will take place beyond Q2 2008
PA13	NDA to develop and agree a portfolio-wide supplier positioning model, to aid SLCs and NDA in recognising the strategic importance of individual or collective suppliers.	Q4 2008
PA14	Continue with the existing forums to build on work already done and continue to aid in the alignment of objectives.	Ongoing through period
PA15	Initiate setting up a forum of Industry Bodies/Trade Associations who have a major influence over the NDA portfolio Supply Chain.	Q3 2008
PA16	Initiate setting up a 'Clients Forum' to discuss issues of mutual benefit.	Q3 2008
PA17	Monitor the use of contractors used across multiple sites.	Ongoing through period

In 2009/10 and 2010/11 we will continue to build on Supply Chain development activities following review of initiatives and feedback from the SLCs, Supply Chain and organisations supporting businesses.

Consultation Question 10: Do you have comments regarding the Planned Actions detailed in the draft strategy?

Consultation Question 11: Could you suggest any further Planned Actions for NDA consideration?

Consultation Question 12: Are there other comments you wish to make?

8 Contacts

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Appendix A- Supply Chain Mind Map



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