

CIHT Briefing: Procurement Strategy Overview

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Procurement: Supporting the RIS2



Supply Chain Strategy

Recognising The Market Environment

- Highway's England has a very ambitious programme of investment in infrastructure.
- However, the external market's ability to meet this ambition is at risk due:
 - A growing & competing UK construction sector (HS2, Nuclear)
 - An Aging workforce
 - Sector Reputation for new talent
 - Market consolidation & acquisitions
- To minimise long term risks in 2016 we launched our Supply Chain Strategy

Supply Chain Strategy

Themes



Category Strategy

Product Innovation

- ❑ Historically procurement focused on HE ability to **procure Tier 1 services**, however, strategy is not agile enough to drive the level of required efficiency and product innovation
- ❑ Category Strategy allows HE to contracts directly with product specialists.
This can be via 2 routes:
 - ✓ direct contract relationship (e.g. pavements,
 - ✓ Collaborative Procurement Hubs with our Strategic Partner to jointly procure and drive value
- ❑ Procurement Category Plans focused on market strategic insight, business relationships, whole life costings, product strategies and aligning to business need

Value Procurement

Value Based Procurement

Strategic shift from Price/Quality Evaluation to Value Based Procurement. To deliver:

- ❑ appointing suppliers with the right skills, leadership & capacity on day 1 and how they will deliver the **value objectives** over life of contract and mature objectives
- ❑ Pre-Engagement & **Collaborative Practices** during pre-contract solutions, mobilisation and post contract award
- ❑ **Risk Mitigation** not Risk Transfer

Traditional Evaluation Question – Detail your approach to health & Safety and how you manage site risk in project delivery?

Value Procurement Question
Detail how you will support HE deliver the outcomes in Safe Design & Health & Safety Strategy and what resources you will need to deliver stated objectives over contract period?

Value Procurement

Imperatives & Outcomes



Imperatives - Procurement Selection Criteria tests suppliers against achieving HE Imperatives:

Leadership Behaviours - Procurement Selection Criteria & Performance framework measures suppliers ability to deliver Productivity, Innovation & Leadership

Controls - Commercial Conditions ensures suppliers are incentivised for excellent project and programme delivery & penalised for poor performance

Standards – Suppliers must meet minimum standards and thresholds

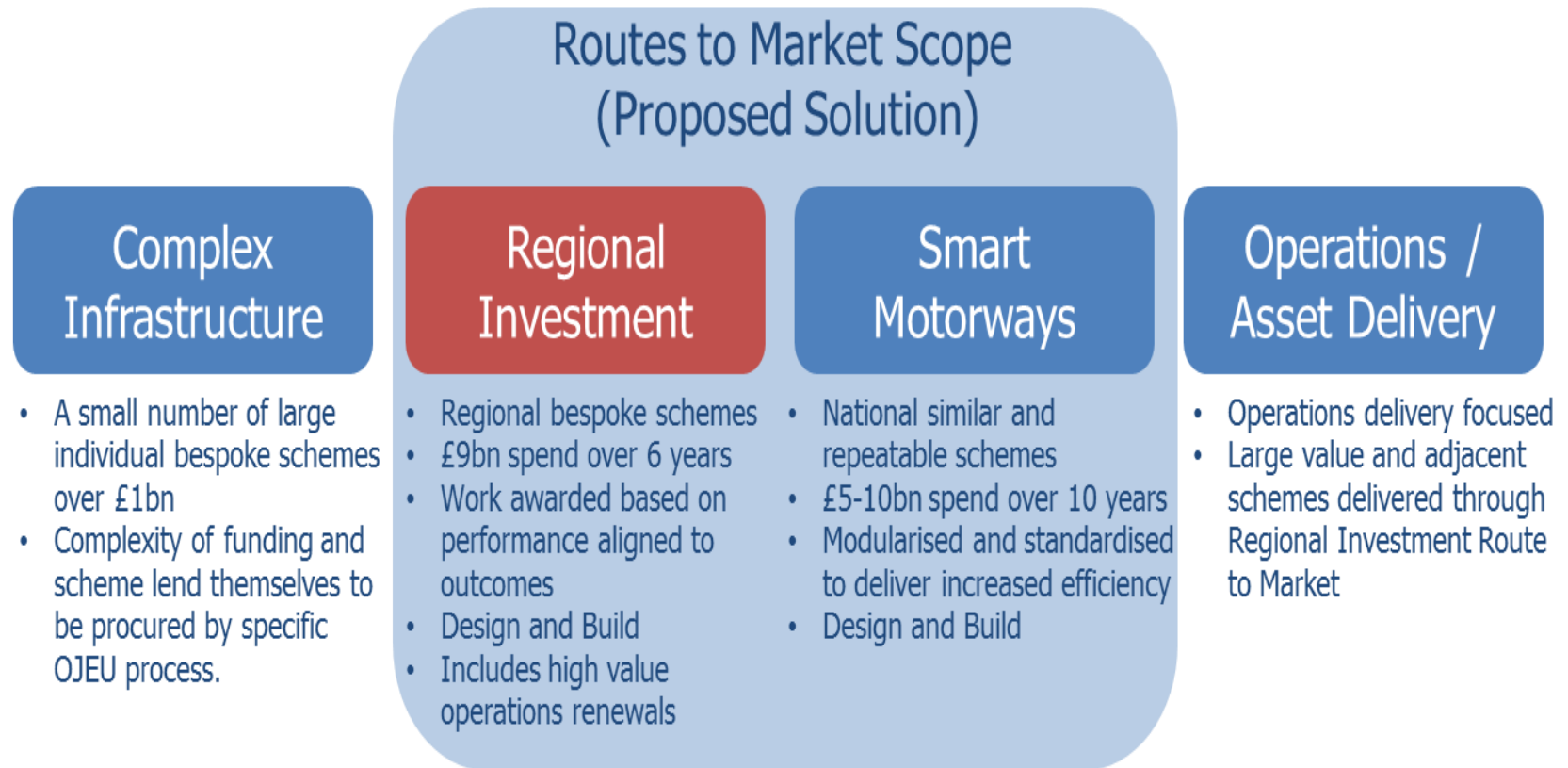
Routes To Market Overview

Routes to Market

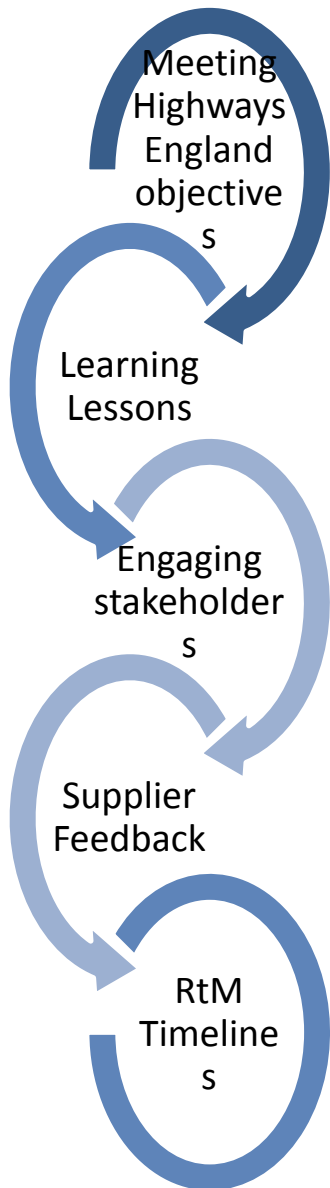
Procuring Major Projects



- Strategic project to transform how Highway England procures and deliver's it's major projects
- Existing procurement model no longer aligned to deliver our increased performance ambitions or scale of investment in RIS2
- Multi-team project reviewing existing HE practices, leading edge industry practices and opportunities to enhance the delivery of Highway England's 3 Imperatives



RtM - Analysis



- ✓ Key Outcomes and Business Imperatives have been mapped against RtM Design Principles
- ✓ Over **600** observations were recorded, **40** lessons were identified , **12** opportunities for potential implementation
- ✓ Internal and external stakeholder engagement, including over 20 supplier engagement events providing opportunity to influence the development of Routes to Market
- ✓ Analysis of valuable supplier feedback for consideration during the solution design and development phase.
- ✓ Commencement of RtM RIP/Ops procurement process in January 2018

RTM - Objectives

- Improve **Industry Productivity** via investment & right first time
- Improve **Safety Performance** via cultural change
- Improve **strategic alignment** via performance outcomes
- Improve **Innovation Realisation** via knowledge management



RTM – Strategic Environment

From Projects to Enterprise Management

Step 4 (Alliance)

- desired outcomes with single entity focussed on quality, innovation, productivity and single objectives. vehicles must satisfy

Step3 (Enterprise Model)

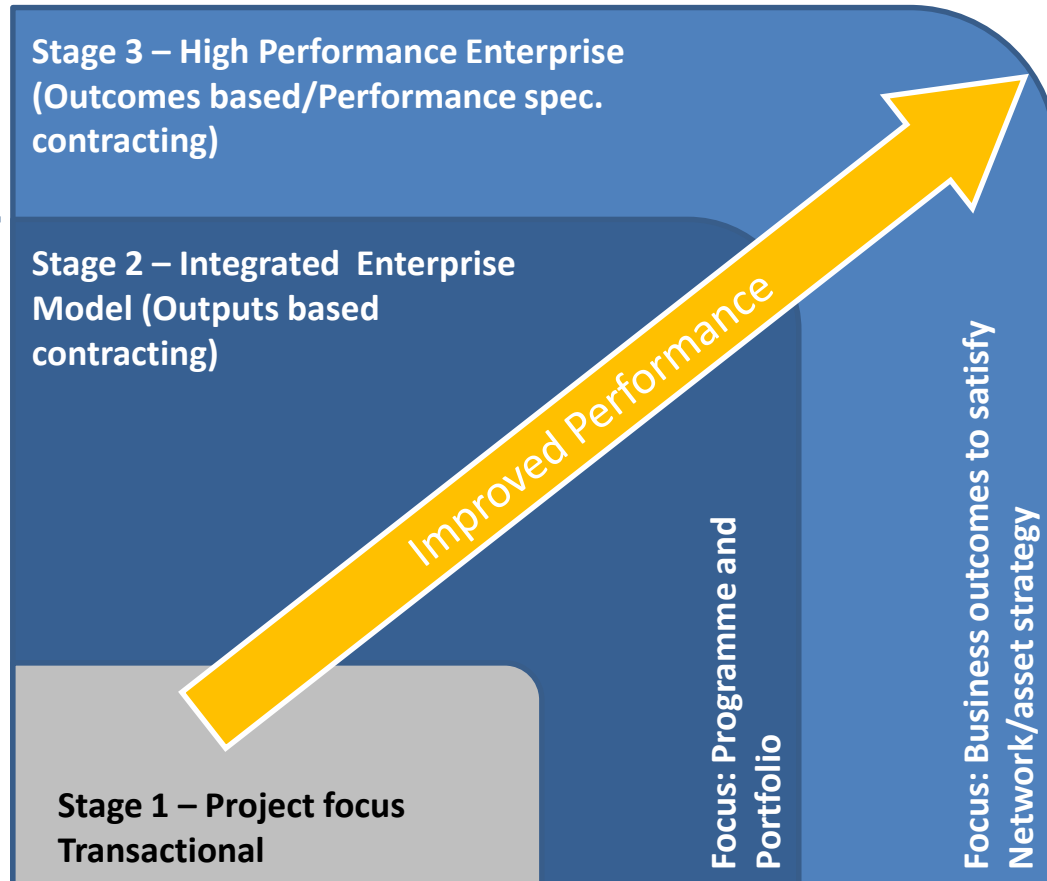
- Supply chain Partners committed to Programme and grow performance & productivity within a given region

Step 2 (Integrated Model)

- CDF transition to RTM
- New Contracts & Operating Model Goes Live
- RIS2 programme approved

Step 1 (To 2018)

- Enhanced Project Delivery
- Simple Collaboration



UK Highways Industry standard

UK Construction Industry recognition

Leading global reputation

RTM – Procurement Step Change

- **Replacing Individual Secondary Competition**

New performance allocation strategy introduced, supplier's guaranteed package of 2-3 schemes at tender and future schemes awarded based on performance

- **New Performance Regime**

CPF of 80 KPIS, replaced by 14 Strategic Targets aligned to HE targets with DfT

- **Aligning Design & Build (*vertical integration*)**

Creating model that supports collaboration not interface

- **Collaboration Hubs (*horizontal integration*)**

creating collaboration hubs for category management, innovation, programme management efficiency, logistics & skills management

- **Programme Delivery**

co-location, team development and culture

- **New Commercial Model**

Model focused on lump sum, sustainable fee, target price and incentivisation on performance not turnover

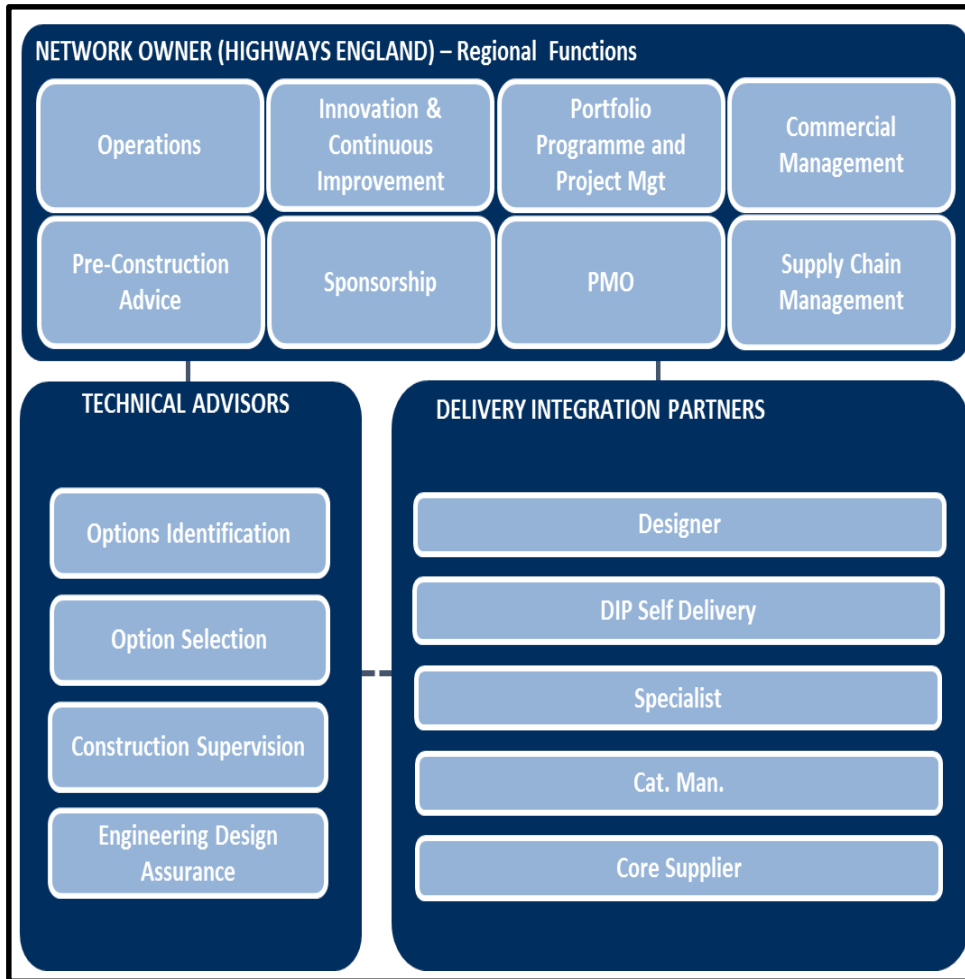
- **Design Standardisation**

Reducing cost of design through automation & digital strategy



Regional Delivery Partnership

RTM – Regional Delivery Partnership



Highways England – as ‘Network Owner’ we will shape and define the regional and national programme and actively monitor and manage the way in which our suppliers are delivering it.

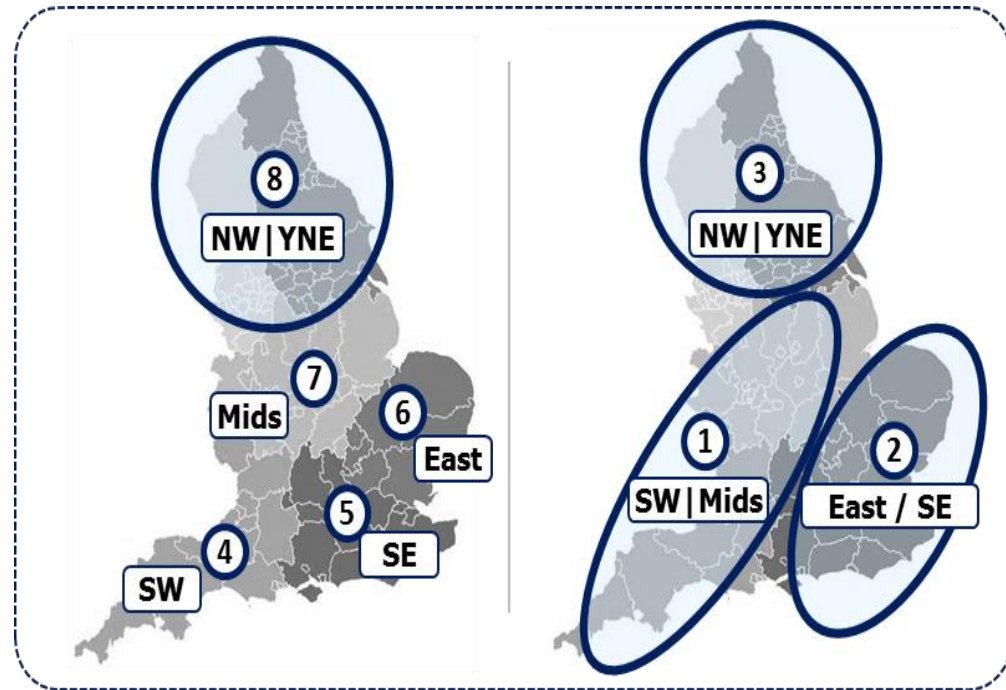
Technical Advisors – manage the early options phases of scheme development and then monitor and assure how those schemes are actually delivered.

Delivery Integration Partners – will manage the construction of schemes on a design and build basis.

RTM – Regional Delivery Partnership

- 6 Year Term
- £9BN Framework (NEC4)
- £4BN awarded at Tender
- Appoint 18 Bidders across 8 Lots
- Design & Build
- Each Bidder will be awarded a Package which contains 2-3 schemes
- Further work awarded from 2021 via Performance Allocation

Delivery Integration Partner Lots: 8 total



Delivery Integration Partner

:>100m

Lots 4-8

12 supplier packages

2/3 per region

Delivery Integration Partner

<£100m

Lots 1-3

6 supplier packages

2 per combined region

RTM – Regional Delivery Partnership

PCF Stages							
	Options		Development			Construction	
0. Strategy Shaping & Prioritisation	1. Option Identification	2. Option Selection	3. Preliminary Design	4. Stat. procedures & Powers	5. Construction Preparation	6. Construction Commissioning & handover	7. Closeout

Target cost: Mitigate overdesign or production of multiple unaffordable options

Cost reimbursement: Scope of works not defined in detail required to avoid significant change

Lump sum: Improved cost predictability, greater sense of ownership, administrative effort reduction and cultural shift through common goals

Target cost: Opportunity for Partner to achieve efficiencies within the cost envelope.

Technical Advisor

Target Cost

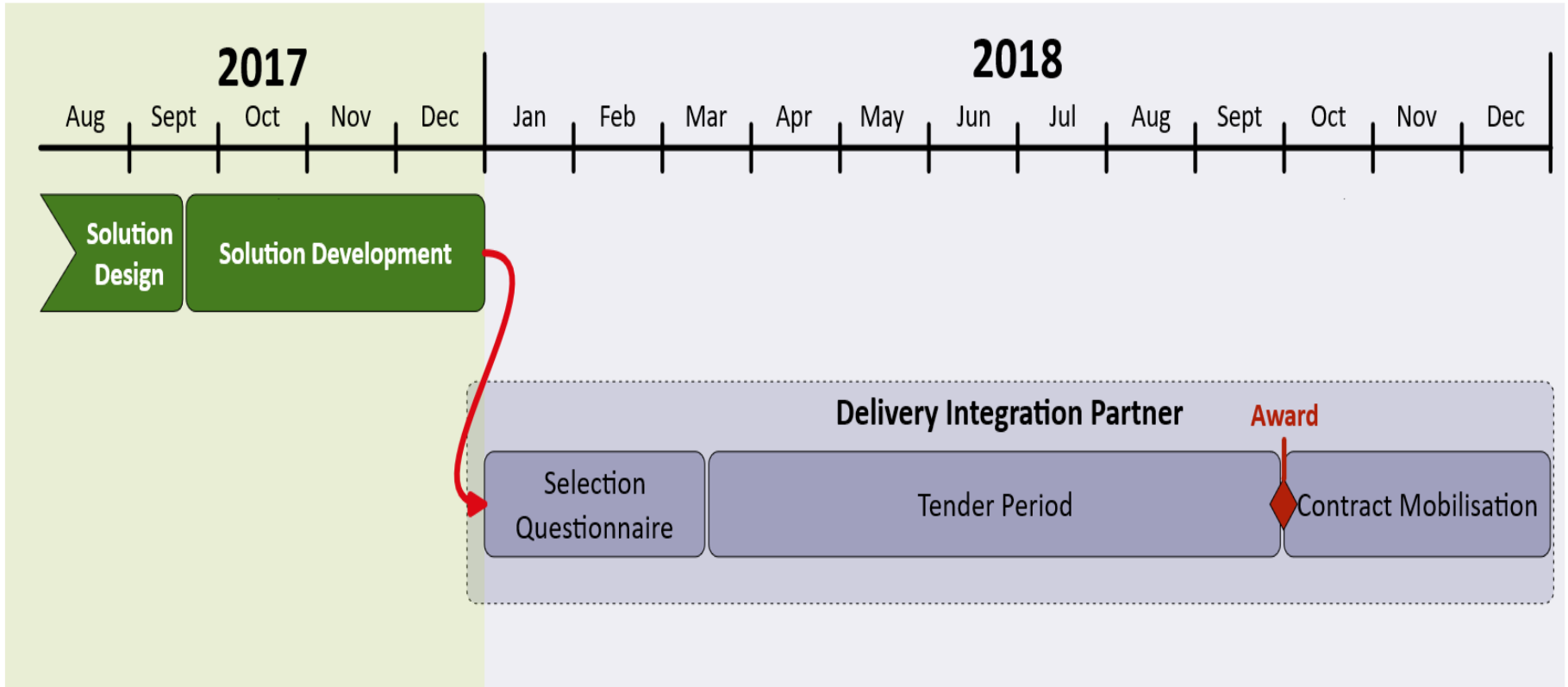
Cost Reimbursable

Delivery Integration Partner

Lump Sum

Target Cost

Routes to Market RIP Timeline

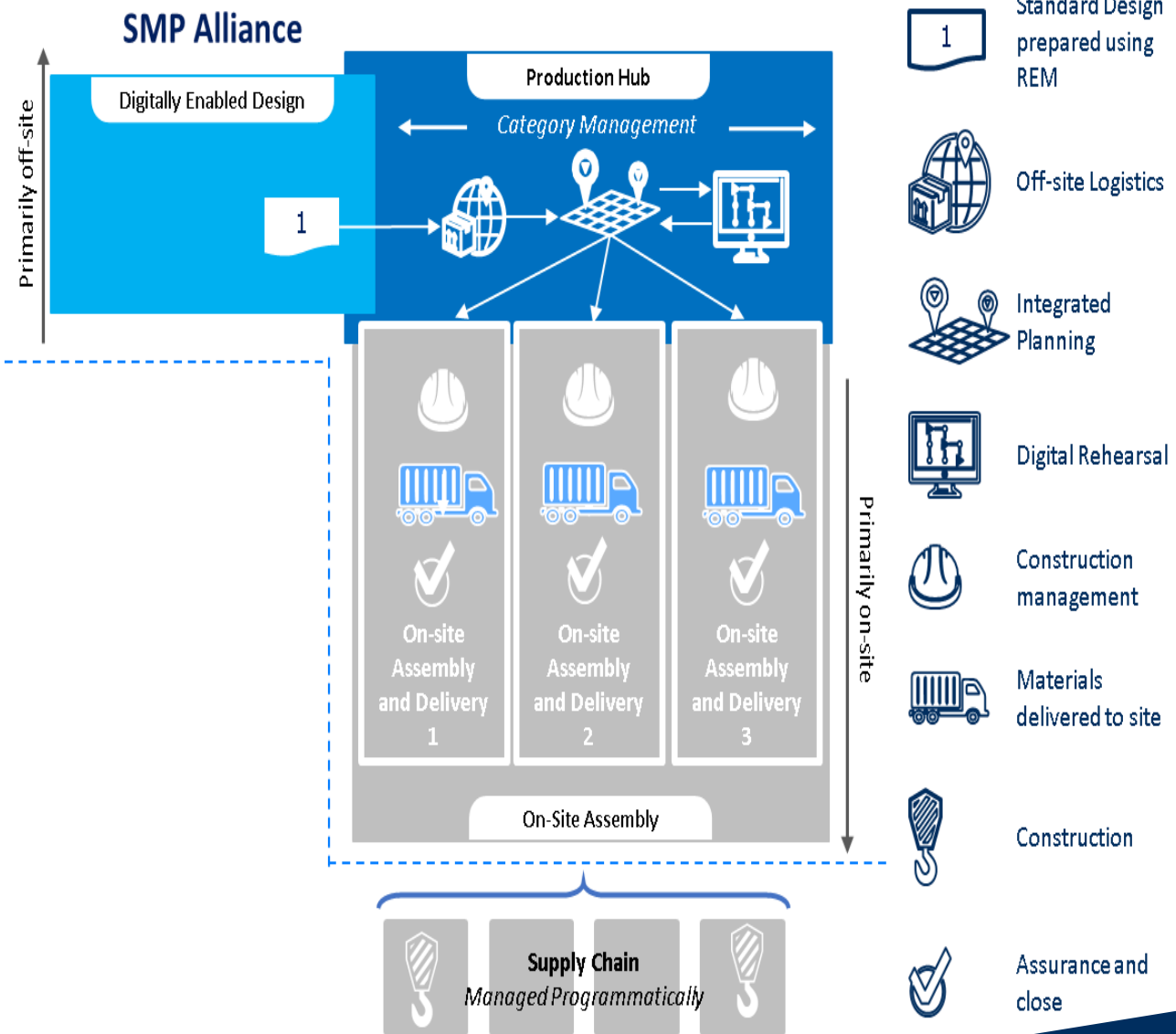


Smart Motorways Alliance

RTM – Smart Motorways Alliance

- A single 10 to 12 year multi-party contract will be entered into by Highways England and all Alliance partners.
- We will have six partners in the Alliance in addition to ourselves:
 - Two Digitally-Enabled Design partners,
 - one Production Hub manager
 - and three On-Site Assembly and Delivery contractors.
- They will be individually procured on a 'best in class' basis
- The contract will be output focused. A central Production Hub will be created in which all partners participate focussing on efficiently coordinating all activities.
- Partners will be collectively responsible and rewarded based upon delivering efficiencies to the programme baseline which will be established using historic cost data with an efficiency target and risk allowance removed from it to provide a 'post-efficient baseline'.
- Performance, based on assessment against agreed outcomes, will determine payment of profit.

RTM – Smart Motorways Alliance



RTM – Smart Motorways Alliance

- The procedure is designed to identify Suppliers who are best placed to deliver the Alliance objectives and improve Highway England overall imperatives and values
- It is envisaged that the procurement will be delivered using a Competitive Procedure with Negotiation (CPN)
- Selection Questionnaire (SQ), Invitation to Negotiation (ItN), Negotiation and final evaluation
- ItN published – November 2018
- Award – November 2019
- Companies may bid for all lots but only be successful in one



Questions