



Sellafield Ltd

Commercial and Contract Management Directorate

Design Services - Delivering & Sustaining Improved Value

1 & 3 June 2010

Commercial and Contract Management



NDA Strategic Priorities

- Encourage the highest standards in safety, security and environmental management;
- Drive hazard reduction;
- Secure our funding framework;
- Gain the support and confidence of our stakeholders;
- Achieve more for less;
- Develop integrated waste solutions;
- Maximise commercial value;
- Build an effective industry; and
- Create a world class organisation.

Mission

“By continually raising our performance we will achieve the Nuclear Decommissioning Authority’s assigned missions through safe, sustainable, world class performance and open, transparent partnering with all stakeholders to become the sites and workforce of choice for potential new missions.”

**Bill Poulson,
Managing Director**



Backdrop

Working in partnership in an open and transparent manner with all of our internal and external stakeholders, we will continue to seek out innovation, improvements and best practice in order to accelerate our high hazard risk reduction and achieve world class performance in all of our operations



Backdrop (Cont'd)

Our commitment to working in partnership with our employees, unions, supply chain, regulators, customers and local communities we will deliver world class performance and deliver real benefit to our communities

Sellafield Ltd overview

Safely delivering excellence through People, Partnering and Performance

Overview

To accelerate high hazard reduction, maintain access to required skills, operate the site on an economically advantageous basis and deliver fit for purpose assets

Purpose of this Presentation

1. To provoke comment and draw out insight
2. To identify issues & areas that need bring forward
3. To identify the changes needed and key enablers to deliver the desired outcome

What is Value?

- Cashable savings such as price savings, which generate cash that can be used by the organisation to resource additional delivery (**same for less**)
- Non-cashable savings such as quality improvements, that are genuine efficiency savings but do not generate cash because the expenditure is already committed to that project or programme (**more for same**)
- There is more, far more than just the above that can be realised

What we have Done

1. Surveyed the current best practice in complex programme and project delivery
2. Sought to identify gaps and improvements in our own contracting approach
3. Looking for self-imposed barriers that inhibit our ability to change
4. Seeking end-state models to deliver improvement

Main Propositions

Arms-length, short-term contracting is destroying value and relationships

- Too much time is wasted in competitive processes that increase total cost
- Unnecessary competition for skills is driving wage inflation and attrition
- Incremental improvement of the wrong contracts will not deliver success

Main Propositions

Partnering and alliancing has matured into (almost) business as usual for excellent clients

- Strategic relationships are delivering excellence across the world
- Effective models exist both in the public and private sector
- Other organisations have solved many of the problems we [SL] now face

Main Propositions

The key factor in delivering excellence is the quality of the relationship between supply chain parties

- All excellent clients have absolute clarity of their requirements
- Each party should have an objective picture of their strengths and weaknesses
- They can manage collaborative relationships in difficult situations

Summary

- Improvement of the current contracting approach will not deliver the required step change in performance
- Delivery of excellence through collaborative supplier relationships is widespread in industry and the models can be adopted rapidly and effectively
- Engaging parties at programme level will access integrated thinking where it can add most value
- Fundamentally re-examine the assumptions that bound ability to change

Thoughts & Comments please on the following

- Style of contractual arrangements / acquisition strategy
- Duration of contract(s)
- Work allocation arrangements
- Potential commercial models
- Incentivisation
- Performance measurement arrangements
- Accessing innovation
- Capturing improvements & sharing best practice
- Key enablers
- Other key areas