



35.0.14 Procurement & Contracting
Strategy

Sellafield
2011/12 Procurement Plan

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Contents

		Page
1.0	Introduction	4
2.0	Mission	4
3.0	Strategic Outcomes	4
4.0	The Commercial Change Programme	5
5.0	The Sellafield Approach to Procurement	6
5.1	Make Buy	7
5.2	Acquisition Strategy	7
5.3	Sourcing and Contract Strategy	9
6.0	Procurement Principles and Practices	11
7.0	Commercial Systems and Purchasing Routes	14
7.1	Commercial Systems	14
7.2	Purchasing Routes	15
8.0	Procurement Planning	16
8.1	The Procurement Plan	16
8.2	Key Steps in the Process / Cycle	16
9.0	The Organisation of the Commercial Directorate	18
10.0	Our People	20
10.1	Capability Development	20
10.2	Roles, Responsibilities and Reporting	21
Appendices		
1	Operating Model of the Commercial Change Programme	22
2	Breakdown of Sellafield External Expenditure by Commodity (2010/2011)	23

Sellafield Procurement Plan Strategy

1.0 Introduction

This document describes the Procurement Strategy of Sellafield (from mission through to policy, process and organisation) and how this aligns with the submission of the procurement schedule. It forms the first half of the Sellafield Procurement Plan, the second half being the Procurement Schedule, a list of proposed procurements required to support delivery of the Sellafield Lifetime Plan for 2011.

The supply chain makes a crucial contribution to the operations of Sellafield, with over half of its annual site funding limit, circa £800M per annum, being spent via Procurement activity in 2010/11. The continued safe, effective and efficient operation of Sellafield therefore requires effective management of this expenditure.

2.0 Mission

The mission of Sellafield's Commercial Directorate is:

To deliver sustainable commercial solutions to meet or exceed stakeholder requirements:

- Allowing us to maximise value
- Allowing us to maximise fee
- Balancing risk and opportunity
- Working to our values and developing our people.

3.0 Strategic Outcomes

The key strategic outcomes of the Sellafield Commercial Directorate are as follows:

- Delivery of the "daily plan" - supporting users by sourcing and procuring the supply chain requirements that they need on a daily basis
- Increased stakeholder confidence and enhanced Environmental, Safety, Health and Quality performance of supply-side managed activities
- The enabling of acceleration in hazard reduction, by reducing waiting time in the procurement process. (The Directorate target is to reduce waiting days by 150,000 over five years)
- Supporting the delivery of supply chain efficiency savings for the site, whilst maintaining or increasing the scope and quality of work. (The Sellafield target is to reduce supply chain expenditure by £500M over the five year time period)
- Enhanced Commercial Directorate and supply chain efficiency and service. (The Directorate target is to improve efficiency by 20% / £12M, over the five year time period);
- Optimisation of fee income
- Avoidance of fee abatement.

4.0 The Commercial Change Programme

The Commercial Change Programme is a transformation programme with two distinct objectives but shared areas of focus, namely:

- Improving the efficiency and effectiveness of the Commercial Directorate, whilst
- Supporting site imperatives, including supply chain efficiencies and expenditure

As such, it is a key element of the site's Integrated Change Programme enabling informed procurements.

The programme was initially established in response to the Sellafield PAIS (Partner-Assess-Innovate-Sustain) review. It has subsequently been extended in scope and is now focused on delivering Sellafield strategic requirements, in particular the requirement to secure improvements in supply chain quality management. Its high-level targets can therefore be summarised as:

- Acceleration of high hazard reduction
- Functional efficiency reduction of 20%
- Supply Chain expenditure reductions of £500M
- Improved stakeholder engagement and confidence
- Improved supply chain quality management.
- Developing & maintaining a capable supply chain
- Enhance commercial capability throughout the business

The Commercial Change Programme will make a significant contribution to the future of Sellafield and the achievement of its mission. It is a fully resourced programme, with Executive level support and involvement. The operating model of the programme is depicted in Appendix 1. The seven work streams of the current programme are listed and summarised below.

Process and Operations Management - Improve procurement process cycle times and efficiency; simplify documented procedures and migrate to the new Sellafield Management System structure. These changes will enable the acceleration of high hazard reduction via reductions in waiting times, as well as underpinning Commercial and operational efficiency improvements. This work stream also covers the review and development of organisational and process performance measures.

Supply Chain Quality Improvement - Develop and implement an enhanced supplier assurance programme; supply chain development; improve the demand-side capability of procurement process users; and improve procurement processes related to quality; contractor management control & oversight. These improvements will reduce the number of

incidents and events, increase stakeholder confidence and reduce the associated costs of failure.

Supply Chain Value Optimisation - Contract Review - Refine and implement procedures for Demand Management and Contract Assessment, to support a £500M reduction in supply chain expenditure; establish and operate a procedure to monitor and report on supply chain cost reductions. (The aim of this work stream is to enable the delivery and capture of substantial reductions in supply chain expenditure.)

Acquisition & Warehousing Optimisation - Develop procedures to facilitate structured reviews of supply chain relationships, acquisition strategies and resource utilisation; define an implementation plan for migration to strategic partnerships for key commodities and suppliers where appropriate. These changes will optimise the delivery of scope using internal and external resources and allow Sellafield to access value improvements.

Inventory Management Improvements - Design and deliver inventory models aligned to Directorate needs; review requirements and potential for disposal of historic stocks. The benefits of these changes will be to reduce inventory replenishment costs and cycle times, whilst also reducing warehouse footprint requirements.

Supply Chain Value Optimisation - Make Buy - Define and deploy Make/Buy or 'Insourcing/Outsourcing' procedures to support a £500M reduction in supply chain expenditure; establish and operate a procedure to monitor and report on supply chain cost reductions. (The aim of this work stream is to enable the delivery and capture of substantial reductions in supply chain expenditure.)

Customer Strategy - Implement enhanced procedural arrangements to reduce transactional workload and improve the operation of procedural arrangements; secure changes to the M&O contract to facilitate more effective operations, and develop Sellafield's relationship with the NDA into a strategic partnership. These improvements will result in improved stakeholder confidence and reduced risk of fee abatement in the short-term and provide a platform for fee realisation in the medium term.

5.0 The Sellafield Approach to Procurement

Sellafield's approach to procurement, from the high level 'make-buy' decision down to the choice of contract type and supplier relationship, is described below. Sellafield's overriding aim is to deliver safe, effective and efficient workscope for the NDA, whilst taking into account the specific nature of our business and location.

5.1 Make-Buy

Sellafield employs a rigorous make-buy decision-making process, which has been agreed and approved by key stakeholders and is a neutral decision making tool. Discussions on whether Sellafield should produce goods or services in-house (make), source them from the supply chain (buy), or use a combination of the two are put forward to the Executive for approval. Many relevant and detailed factors are considered in making this decision, including; consideration of comparative efficiencies and labour mobility; redeployment costs; and the allocation of risk between the NDA, Sellafield and the supply chain. Decisions on make-buy may result in a change to in-house activity and / or a change in supply chain activity. Once the decision to buy has been made, appropriate acquisition strategies are developed.

5.2 Acquisition Strategy

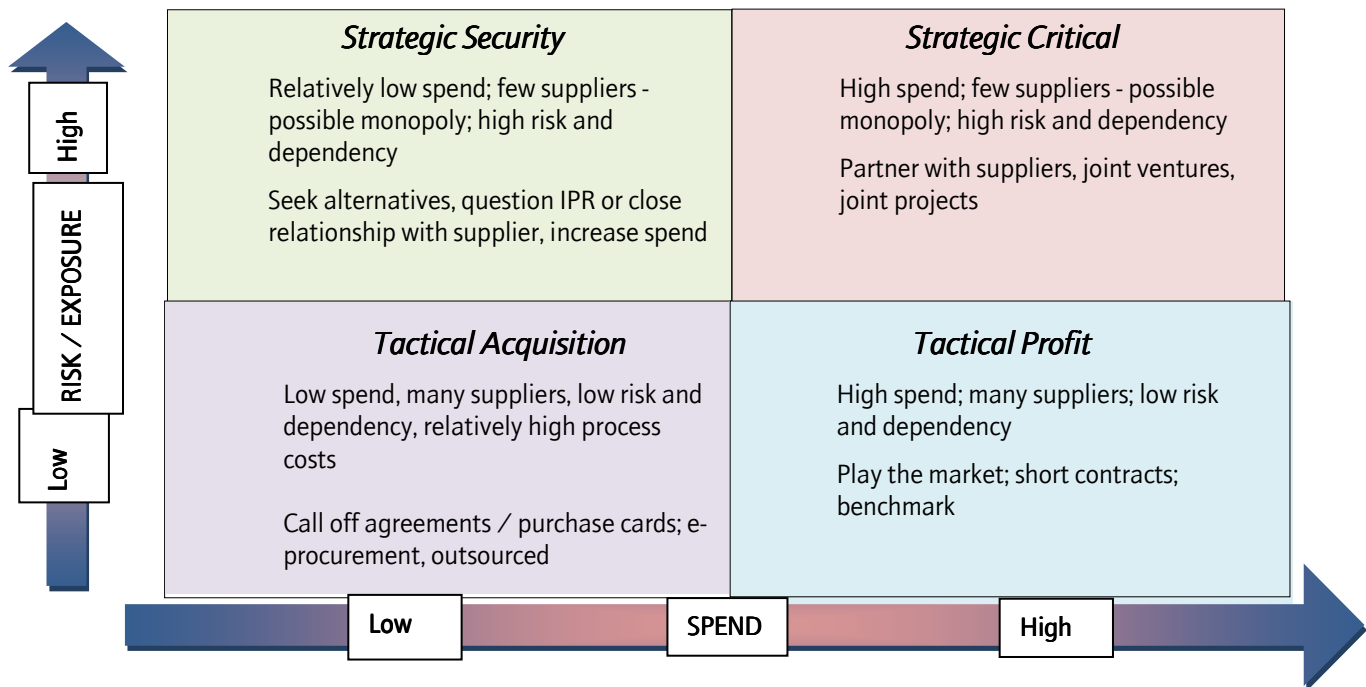
In order to decide how to procure goods, services or works, Sellafield reviews the options available, considers key factors and employs specific procurement tools to ensure that the correct decision is made. Sellafield is required to comply with the Public Contracts Regulations, which requires all procurement and contracting decisions to be made within the boundaries of this legislation. Options considered include competition, framework agreements, framework contracts, sole sourcing, collaborative procurement, and the development of alliances with suppliers. Key factors affecting the choice of acquisition strategy include consideration of NDA Drivers, securing the efficiency targets and meeting the requirements of the Regulatory Environment / Nuclear Site Licence Conditions. NDA Drivers include:

- Requirements to comply with the conditions of the M&O Contract
- The objectives to accelerate hazard reduction and obtain value for money
- Securing efficiencies via collaboration with other SLCs
- The development of a competitive local supply base
- Working within the NDA Supply Chain Development Strategy.

One of the key procurement tools used to support decisions on acquisition strategy is Purchasing (Kraljic's) Portfolio Analysis. This is a two-by-two matrix which considers the overall spend on the item, as well as the level of risk associated with its procurement. For each item, its position on the matrix is identified, which then suggests how to procure the item. After consideration of the factors and constraints described above, in particular the Public Contracts Regulations, an optimal acquisition strategy is then identified, which includes the commercial model to drive the desired behaviours and outputs required. Portfolio Analysis is depicted in Figure 1 below, along with an indication of the strategies employed for each type of expenditure. More detail on how the tool is applied is given overleaf. This tool is one of several facets that are considered when developing an

acquisition and sub-contract strategy; other considerations such as those outlined above are also taken into account.

Figure 1 Purchasing Portfolio Analysis at Sellafield



How Sellafield applies Purchasing Portfolio Analysis

Strategic Critical – Spend in this category is relatively large, with a small number of potential suppliers. Items in this quartile are often of core importance to Sellafield. For these areas, Commercial would prefer to work closely with suppliers, developing partnering-type relationships, running joint improvement programmes, and ensuring that both parties benefit from the arrangement over the long term. In this way, the risk of supply discontinuities is reduced, performance can be closely monitored, whilst the supplier can make reasonable profits from the associated contracts.

Tactical Profit – Spend in this category is relatively large, with many potential suppliers. In order to take advantage of competition, and obtain the best value for money, contracts are competed on a regular basis, and suppliers are chosen to get the best Commercial deals over the lifetime of the requirement.

Tactical Acquisition – Spend in this category is relatively low, with many potential suppliers. Often in the Tactical Acquisition quartile, the transaction costs associated with buying the goods can be greater than the costs of the goods themselves. For this reason, the focus is on reducing acquisition costs. This is achieved via e-procurement (through SAP Supplier Relationship Management), through the use of purchasing cards, and in some cases by using framework agreements.

Strategic Security – Spend in this category is low, giving little bargaining power, and there are relatively few suppliers in the market. This is potentially risk for Sellafield, and significant effort is made to ensure that suppliers are maintained, whilst avoiding a monopolistic situation where a supplier can increase its prices and there is no alternative supply. For strategic security spend, one or more of the following approaches is frequently adopted - maintain at least two alternative suppliers, buy collaboratively with other SLC's to increase our joint spend, or maintain the IPR within Sellafield, to prevent the risk of a loss of critical knowledge. This will clearly depend on the specific nature of the product or service in question.

5.3 Sourcing and Contract Strategy

The application of the factors above guides Sellafield in its overall acquisition strategy. Within this overall acquisition strategy for individual requirements and areas of expenditure, Sellafield decides on sub-contract (sourcing) strategies and contract strategies. In other words, it decides how to engage with suppliers and what form of commercial vehicle to employ. Sellafield adheres to rigorous decision-making processes in order to select the most appropriate sourcing and contract strategies.

5.3.1 Sourcing Strategy

The sourcing strategy will comply with the options available under Public Contracts Regulations. For all procurements above the Public Contracts Regulations thresholds, the approach to market options available are: Open Competition; Restricted Procedure; Negotiated Procedure; Competitive Dialogue; and use of Office of Government Commerce (OGC) Framework Agreements. If the procurement value falls below the Public Contracts Regulations thresholds, then Sellafield will make a sourcing decision based on the factors described above and in full compliance with Treaty of Rome obligations: non-discrimination, equal treatment, transparency mutual recognition and proportionality. If the procurement value is above the Public Contracts Regulations thresholds and Sellafield decides *not* to compete, but to sole source, then there is an internal justification process that must be followed.

5.3.2 Commercial Vehicle

In order to select the most appropriate commercial vehicle for the procurement, Sellafield employs a 'decision tree' approach. The choice of commercial vehicle is wide and complex, will vary significantly according to individual circumstances, and requires solid commercial judgement and content knowledge in order to manage risks and deliver maximum value for money. Sellafield currently decides between the following options:

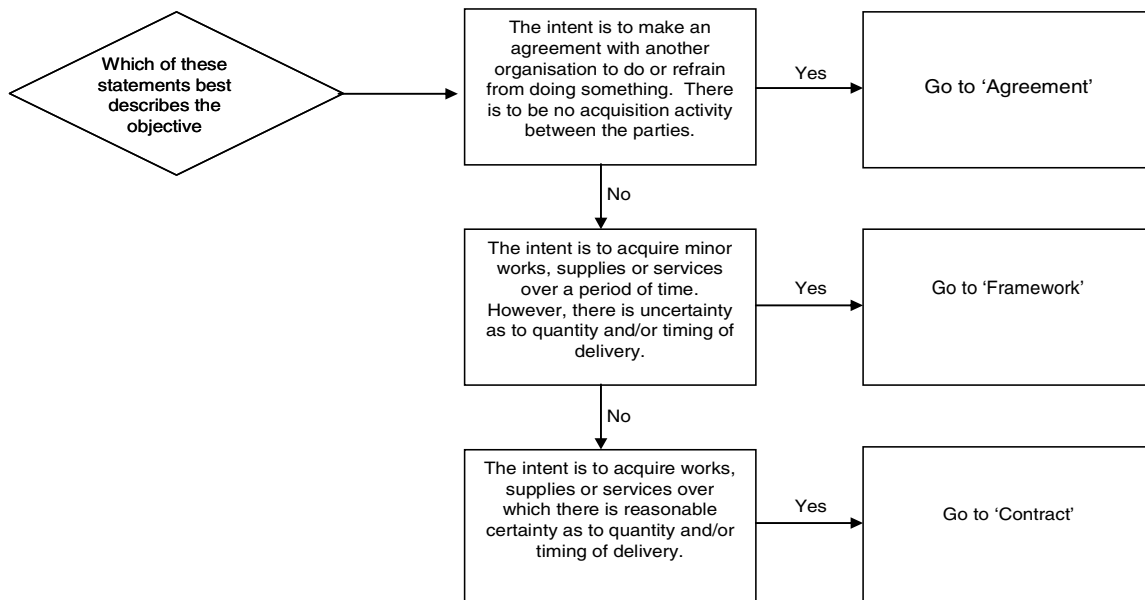
Agreement: Memorandum of Understanding (MOU), Memorandum of Agreement (MOA) or Co-operative Agreement (CA);

Framework: Framework Agreement, Basic Ordering Agreement (BOA) or Indefinite Quantity Indefinite Delivery Agreement (IQID)

Contract: Firm and Fixed Price, Fixed Price Redeterminable, Fixed Price Incentivised, Cost Plus Incentivised Fee, Cost Plus Award Fee, Cost Reimbursement Plus Fixed Fee, Time and Materials Fixed Fee, or Time and Material Loaded Fixed Rates.

In order to decide on the main type of commercial vehicle, i.e. whether it should be a contract, framework or agreement, Sellafield applies the following decision-making process:

Figure 2 Decision Tree – What Type of Agreement?



Once the decision has been made to employ a contract, further tools are utilised by Sellafield to enable decisions. For example the type of pricing to be used, such as Firm and Fixed Price, Time and Materials, and / or Incentivised etc.

When making a decision on the type of contract and pricing methodology to be employed, there are a number of key areas which will be considered and discussed. These include:

- How best to allocate risk between the parties, and who should hold liability?
- What terms and conditions should be used, for example should they be NEC, our preferred default option, or Sellafield Limited's own?
- How to incentivise the supplier to improve performance?

6.0 Procurement Principles and Practices

Sellafield ensures full support of the NDA's principles for Supply Chain Development throughout the design, implementation and operation of its commercial strategy. In particular Sellafield strives to achieve:

- Open, transparent, timely and consistent communications at all levels
- Optimised Supply Chain processes
- Optimised Supply Chain relationships
- Explores synergies with other Nuclear Clients and other Industries

In addition, Sellafield manages its procurement through a number of principles, all of which are fully aligned to the NDA's Supply Chain Development Strategy (March 2009). These are:-

- Deliver maximum value for money over the long term, and continue to focus on cost reduction;
- Use of the most appropriate procurement and contracting strategies;
- Support the local economy;
- Demonstrate the highest professional ethics, standards and conduct;
- Meet all external regulatory requirements, including legal, health & safety, quality, environmental and sustainability;
- Supplier Management and Development;
- Meet contractual obligations.

Sellafield works to these principles by employing the following practices:-

Deliver maximum value for money over the long term, maximise value added from the supply chain and continue to focus on cost reduction

- Use competition where appropriate; employ multi supplier Framework Agreement arrangements to maintain a competitive environment;
- Work with suppliers to drive down costs;
- Favour 'commercial off the shelf' specifications, products and services rather than bespoke; use functional, output or performance-based specifications where possible, in order to increase the potential supply base, and thus competition;
- Engage early with suppliers and markets to allow them time to develop innovative strategies for Sellafield; and encourage the entry of new suppliers;
- Assess 'whole life' costs rather than initial purchase price alone;
- Use incentivisation in contracts where appropriate; making automatic extensions of existing contracts the exception rather than the rule;

- Include Value Analysis / Value Engineering clauses in contracts to encourage contractors to offer alternative methods of delivery; we also conduct cost analysis, especially where competition is limited.
- As part of Sellafield's wider change programme, Commercial has established a work stream to engage the Supply Chain to help develop improved commercial contracting arrangements, and deliver reduced costs to Sellafield.

Use of the most appropriate procurement and contracting strategies

Whilst the use of competition clearly has benefits in driving down costs and maintaining efficiency and Sellafield prefers to use competition where possible, there are clearly instances where a more collaborative approach to procurement is more suitable, and will bring greater value for money to Sellafield over the longer term. In some cases, competition is not possible, due to the nature of the supply market. Sellafield uses Purchasing Portfolio Analysis and risk assessment to inform decisions on procurement strategy – competition, collaboration, or somewhere in between. Whilst competition has been the default selection in the past, Sellafield recognises the wider benefits that closer working relationships can bring, and is exploring the possibilities for collaboration/partnering, where appropriate. Sellafield Limited always use the competition process to choose our delivery partners.

Sellafield also supports collaborative buying with other Site Licence Companies, and is aligned to the NDA's Collaborative Procurement initiative, taking the lead as is appropriate. Collaboration enables lower transaction costs, aggregation of demand, and the optimisation of services that are common across Site Licence Companies.

Support the local economy

Whilst maximising value for money is key to Sellafield, it is balanced with sustaining a local supply base, being cognisant of our pivotal position in the West Cumbrian economy, and in support of the NDA socio-economic requirements.

As a member of the West Cumbria Business Cluster, Sellafield engages with the local supply chain. In addition, we apply weighted supplier selection criteria in order to take into account socio-economic factors (as well as other factors such as quality and price) where this is relevant to the scope of the procurement and / or include appropriate conditions of contract.

Demonstrate the highest professional ethics, standards and conduct; be open and honest with supply chain

Staff in the Commercial Directorate demonstrate:

- Personal integrity
- Professional ethics and standards

- Honesty, fairness and courtesy when dealing with clients, the customer and the supply chain
- Sound judgement in the interests of the business

Sellafield Commercial has adopted the Chartered Institute of Purchasing and Supply (CIPS) ethical standards and demonstrates probity through the application of robust systems, the competence of our people, sound governance and selective audit of Sellafield's commercial activities.

Communication with the supply chain is open and honest and feedback encouraged. Regular Supplier Forums are held, where suppliers are briefed on our plans, updated and informed of capability requirements in the future; it also serves as a forum for suppliers to meet each other. Sellafield also supports "Meet the Buyer" sessions run by West Cumbria Development Agency. In addition, "Industry Days" are held to communicate larger value or more complex procurements in advance of tenders being issued.

On the external Sellafield website, there is a dedicated area for suppliers, developed as a result of supplier feedback. On this website Suppliers can find information on "How to do business with Sellafield", the Procurement Plan, e-procurement systems, and there is also training materials on how to use the Complete Tender Management (CTM) tool. The Procurement Plan schedule is the prime vehicle by which Sellafield communicates with the Supply Chain to advise of upcoming opportunities.

The Sellafield Supply Chain Ombudsman provides an external independent check on supply chain activities and also provides a confidential route for suppliers to comment on Sellafield commercial behaviour.

Meet all external regulatory requirements, including legal, health & safety, quality, environmental and sustainability

Meeting stringent requirements is fundamental to the Sellafield business, and safety is paramount. These requirements expected of the supply chain, with an exemplary safety performance required as a pre-requisite to winning and retaining business with Sellafield.

Robust risk management processes are applied to identify and manage risks proactively through the lifetime of the procurement. Commercial risks are actively managed under the site-wide risk management methodology, with specific contract risks managed as part of the tender and contract strategy and contract management stages. Progress with risk mitigation is reviewed as part of the monthly performance reviews attended by client, supplier and contract management representatives. Sellafield share with the NDA on a monthly basis any significant risks relevant to the supply chain during their Portfolio Review Session.

Sellafield ensures sustainable procurement through a mandatory sustainability policy. This requires all procurement activity to be carried out in a manner which promotes the concept of sustainability, this being that supplies, services and works are sourced to meet business need whilst preserving the ability of future generations to meet their own needs. The key principles that underpin the policy are:

- Production of business cases which reflect the policy, where relevant;
- Use of demand management to reduce resource usage;

- Use of specifications which promote social, economic and environmental objectives in a manner consistent with prevailing legislation;
- Use of supplier selection and contract award criteria which provide competitive differentiation on the basis of suppliers' contributions to social, economic and environmental objectives, where relevant;
- Encouragement of innovation in the supply chain in the development of processes and systems which contribute toward social, economic and environmental objectives.

Supplier Management and Development

To ensure that the supply chain delivers both current and future requirements to Sellafield in the most effective and efficient way, and that Sellafield and the supply chain jointly innovate and deliver increased value for money, Sellafield undertakes supplier management and development. Attention is currently focused on managing and improving supplier performance, with two work streams for this within the Commercial Change Programme. The first work stream is Supply Chain Improvement; this is focussed on improving the quality performance of suppliers. The second work stream, Acquisition Strategy, which is a fundamental review of how we manage supplier development and top level strategy development.

On an ongoing basis, Sellafield applies Purchasing Portfolio Analysis, and a risk assessment process, to identify those suppliers that are critical to Sellafield, and works with them to ensure continuity of supply. The risk assessment also highlights risks which require additional attention, and Sellafield will work with the relevant supplier to manage or eliminate these.

In addition, our supplier management procedures can review both customer and supplier performance. This allows the focus to be on Sellafield as a customer, and not just on our suppliers.

Meet contractual obligations

Sellafield strives to meet all of its obligations, both with its suppliers, and with regard to the NDA M&O Contract. Some of the M&O contract obligations 'flow down' to our sub-contracts with suppliers, as prescribed by the NDA.

7.0 Commercial Systems and Purchasing Routes

7.1 Commercial Systems

The Commercial Directorate employs three main IT systems to support procurement, namely SAP, CTM and CPROC. A brief summary of these, and how they are used at Sellafield, is as follows:

SAP - Sellafield uses SAP R/3 as its primary Enterprise Resource Planning (ERP) system. Within Commercial, the following sub-modules are used: Materials Management, Inventory Management, Quality Management and Warehouse Management. In order to increase e-

procurement and enable catalogue purchasing, Sellafield has deployed SAP Supplier Relationship Management (SRM). This enables access to electronic catalogues as part of an integrated purchasing process. The catalogues are largely maintained by suppliers and accessed via 'punch-out', although some are maintained in-house if tighter control of catalogue content is required. Currently, the main use of SRM is to manage high volume, low value procurement.

CTM - In order to reduce tender time scales, ensure compliance with Public Contracts Regulations and ensure visibility of supply chain opportunities, Sellafield uses the Complete Tender Management system for e-tendering. In addition to Sellafield employees, suppliers also have access to CTM, at no cost. Opportunities are advertised electronically via CTM and, when appropriate OJEU contract notices and awards are published via CTM. After registering, prospective suppliers can submit tenders via the system, which maintains a full record of documents uploaded and messages sent. In addition to reducing the lead time, use of CTM reduces costs both within Sellafield, and for the supply base. Sellafield has recently begun to use the Contract Management module of CTM for contract management and administration activities.

CPROC - Sellafield uses a bespoke system to track and report scheduled Procurement Plan activities. It contains all planned and current procurements that Sellafield has or will place, if costs are circa £100,000 or above (£25,000 for IT and £75,000 for sole source purchases), typically covering a 5 year window. The procurements can be one-off purchases or outline agreements. Each procurement has a set of associated data fields covering the contract lifecycle phases i.e. contract strategy, tendering, contract placement and contract closure. As contracts progress, the cumulative value of call-off purchase orders, receipts and invoices is maintained in CPROC to allow trend reporting.

A full description of Sellafield's procurement planning process is given in Section 8.0 - Procurement Planning.

7.2 Purchasing Routes

Sellafield currently employs seven generic routes for transactional purchasing. Use of each purchase route is determined by a number of attributes, such as estimated prices, associated quality control requirements, the type of commodity and whether or not an existing contract covers the type of requirement.

In volume terms over 80% of purchase orders are currently raised by business based users of procurement systems, known as Demanders. This is a deliberate strategy which allows commercial staff to move away from transactional and tactical activities, and concentrate on more strategic, value-adding procurement activity, as well as enabling us to reduce procurement lead times. Workstreams 1 and 5 of the Commercial Change programme are currently reviewing the efficiency and effectiveness of the non-devolved routes, with the intention being to increase the level of automation of stock procurement and devolving the majority of the one-off and framework orders into the business. It should be noted that purchase activities of Demanders are monitored and controlled, with purchasing delegation set according to their experience and capability, as applies with front-line procurement staff.

All commercial activities are subject to controls set out in the Financial Delegated Powers Manual and associated procedures. Certain powers delegated to the Commercial Director, are sub-delegated to staff within Commercial and to devolved buyers in the business. All such delegations are subject to formal control in accordance with the Manual. In exercising delegated powers, empowered staff are instructed not to exceed the financial powers delegated to them and to robustly resist any pressures which may be brought to bear to do so. Breaching delegated powers is regarded as a matter of business governance and may give rise to disciplinary action against the individual concerned.

8.0 Procurement Planning

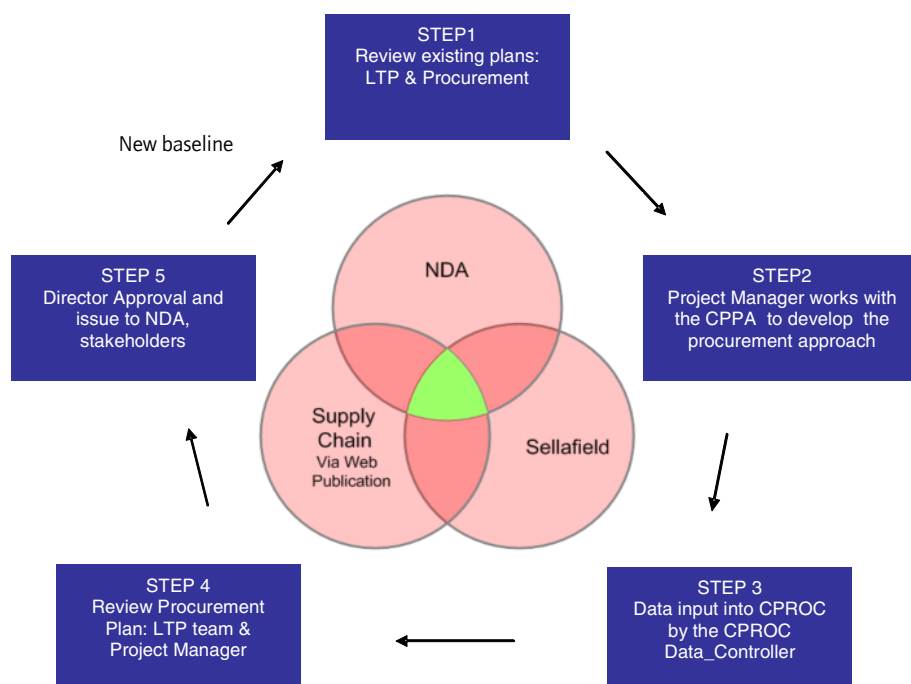
In addition to being an NDA M&O Contract requirement, the procurement planning process benefits Sellafield and the Supply Chain in the following ways:

- It gives the supply chain early visibility of opportunities to supply Sellafield, enabling them to develop and deliver better value for money, for example via more efficient mobilisation
- It enables us to identify the required procurement effort for future periods in order to plan resource use effectively
- It allows the NDA to oversee and audit Sellafield procurement activity, and plan the necessary sanctioning and validation activities.

8.1 The Procurement Plan

There are 2 distinct elements to the Procurement Plan – the Strategy and the Schedule. The Strategy being the procedure (this document) and the Schedule, the output from the Commercial Planning & Reporting Of Contracts system – a bespoke oracle database used for the capturing, tracking and reporting of planned procurements.

8.2 Key Steps in the Process / Cycle



Step1

The process begins with the Project Manager reviewing existing plans, and comparing the plans to actuals. They will review their Life Time Plan, and identify its procurement requirements. The existing Procurement Plan is also reviewed and compared with what has actually happened in the business - the aim being to develop a procurement plan that underpins and will continue to underpin the LTP, and to reflect the most accurate and recent procurement activity.

This review will provide an updated list of procurements, some of which will be new additions to the plan and others, amendments to existing procurements.

Only those procurements that meet or exceed the NDA agreed thresholds¹ should be entered into the Procurement Plan. The Project Manager applies the thresholds to all procurements, and removes those that fall below. This will produce a 'reduced list' of procurements to be included in the updated Procurement Plan.

Step2

The Project Manager works with Commercial to agree the procurement approach for each item in the reduced procurement list.

For changes to current procurements (accelerate, defer or delete), the Project Manager and the Commercial Procurement Plan Authoriser (CPPA) – typically the Commercial Officer for the Business Area, agree the changes and complete the Amendment Form. At this stage the sourcing and contract strategy is reviewed to check if it remains appropriate (for example, competed or sole sourced, what type of contract is to be used etc.).

For new procurements (additions), the business and Commercial together, develop and agree the procurement approach that will deliver best value for Sellafield (in compliance with Public Contracts Regulations where necessary). When deciding on the procurement approach, Sellafield considers all options available, takes account of key factors, and employs specific procurement tools as described in Section 5.

Once the Additions and Amendment forms have been completed, they are authorised electronically by way of receipt into the Procurement Plan mailbox, via the authoriser or signed, scanned & then sent to the mailbox – a dedicated Lotus Notes database for all Procurement Planning and CPROC communications. This also assists with audit trails and for tracking when and why changes/ updates etc were made.

Step3

Once authorised and the forms have been submitted to the dedicated mailbox, the information on the Additions/ Amendment forms are entered into CPROC by the CPROC Data Controller.

¹ Thresholds Summarised [see section 7.1 Commercial Systems CPROC for full detail]

- A purchase value of greater than £100k individually or in aggregate
- Sole sourced and over £75k in value
- Involves the procurement of IT and is over £25k
- Framework Call Offs over £100k per call off.

Deletions can only be undertaken by the CPROC Administrator. The approved amendment form must be sent to mailbox, where the CPROC Administrator will pick up the request and remove the procurement from CPROC.

Step4

When CPROC has been updated, a review is undertaken to check the accuracy of the plan. Both the Project Manager and the Life Time Planning Team check against the Life Time Plan, in particular to the external spend values within the LTP. When all parties are satisfied that CPROC accurately reflects the LTP, it is signed off by the LTP Team.

Step5

The authorised amendments and additions to CPROC are consolidated at Operating Unit and Directorate level. The Commercial Head of Zone and Business Manager confirm the content and accuracy of the Procurement Plan, for their Business Area. The Zone Procurement Plans are then consolidated at Sellafield level.

The Commercial Director carries out a final check and when satisfied, approves the Procurement Plan on behalf of Sellafield. The Plan is then ready for use, internally and for issue to the NDA.

Supplier Access

Supplier access to the endorsed Procurement Plan is provided via the Sellafield external web-site, with specific contract opportunities being visible via the Complete Tender Management IT system, as outlined in section 7.1 Commercial Systems - CTM.

9.0 The Organisation of the Commercial Directorate

The organisation structure of Commercial Directorate has recently been changed from a commodity-based structure to an optimised structure in which resources are, in the main, allocated to work on the procurement requirements of specific business Directorates. This is a step in the transformation to full 'projectisation' of the function.

The various business areas of Sellafield have been divided into 5 zones:

1. Operating Plants, including Spent Fuel Management, WEDD, MOX
2. Major Projects
3. Decommissioning
4. Infrastructure
5. Functions

Typically each of the commercial teams in Zones 1 - 5 are generally organised as shown in Figure 4 below:

Figure 4. Commercial Team Organisation in Zones 1-5

Head of Zone
Contract Officer(s)
Senior Contract Specialist(s)
Contract Specialist(s)
Contract Administrators(s)

Resources working on Sales and a broad range of Procurement support activities, such as rules, tools, resource management and IT systems support are not allocated into the zones covering Delivery Directorates, but are allocated into a “central” Commercial team, referred to as Zone 6. Staff in Zone 6 are organised in teams with responsibilities for M&O Contract Management (Sales), Procurement Support and Change Management. The scope of activities covered by each of the Zones’ teams is summarised below.

Zone 1 – Operating plants

Head of Zone: Alison Strafford

The Zone 1 Commercial team delivers the operational procurement needs of Spent Fuel Management, Waste & Effluent Disposition and MOX

Zone 2 – Major Projects

Head of Zone: Peter Caldw

Zone 2 includes the following major projects: EVAP D, HAST, EPS 3, SMF, BEPPS & CIEF

Zone 3 – Decommissioning

Head of Zone: Ian Whitehouse

The Zone 3 Commercial team serves the needs of the major decommissioning projects, including B29, B30, B38, B41, and Site Remediation and other decommissioning activities.

Zone 4 – Infrastructure

Head of Zone: Dave Magrath

The Zone 4 Commercial team serves the needs of a number of infrastructure related activities including:

- Analytical Services and Technology
- Facilities and Transport
- Projects & Utilities
- Maintenance
- Capenhurst Site

Zone 5 – Functions

Head of Zone: Robert Astall

The Zone 5 Commercial team serves the needs of a number of functional areas including:-

- Information Technology, Finance
- Environment, Health, Safety and Quality, Technical & Collaborative
- Human Resources / Transformation
- International Nuclear Services Ltd
- Managing Director’s Office, Strategy, Stakeholder Relations
- Engineering

Zone 6 – Professional Standards, Policies and Procedures

Head of Profession, Policies and Procedures: Robert Astall

This team covers the following activities:

- Resource deployment
- Professional standards and development
- Policies and procedures management
- Commercial governance

Zone 6 – Procurement Support and Change Management

Head of Procurement Support and Change Management: Richard Petch

The Zone 6 Procurement Support and Change Management team serves the needs of the Directorate in managing a number of cross-zone/business wide activities:

- Supply Chain Oversight & Development, including Supply Chain Ombudsman and Management of Contractors and Leaseholders
- Operational Support – Cost & Price Analysis, Commercial Risk, Business Change, Portfolio & Resource Management
- Acquisition Contract Strategies
- Inventory, Inventory Systems Management and Commercial Systems (SAP, SRM)

Zone 6 – Sales Contract Management

Head of Sales Contract Management: Paul Mair

The Zone 6 Sales Contract management team serves the needs of the business in the management of its customer contracts, mainly in relation to the Management & Operations (M&O) Contract with the NDA. This includes:

- NDA interface for M&O Contract
- M&O Contract & Parent Body Agreement (PBA) management
- M&O Contract & PBA compliance
- Commercial management in respect of fee earning and reporting
- Customer Satisfaction Process management
- Third Party Sales Contract management
- Inter-SLC Service Contract management
- 'Reachback' resource management

Commercial Lead Team

Each Commercial Head of Zone in Zones 1-5, and the Section Leads in Zone 6, report to the Commercial Director. The Commercial Director and his direct reports plus the Commercial Change Manager, the HR Support Partner, the Stakeholder Relations Partner and the Deputy Commercial Director constitute the Commercial Lead Team.

10.0 Our People

10.1 Capability Development

The commercial capability of our staff is sustained and enhanced through a number of routes. The CIPS Corporate Award Training programme is a key part of our capability development process. In addition, we maintain the capacity to deliver a variety of training in-house.

CIPS Corporate Award Training Programme - The Chartered Institute of Purchasing and Supply (CIPS) Corporate Award is a tailored accredited and applied annual training programme that is designed to develop individuals' professional purchasing expertise. It provides the opportunity for individuals to gain CIPS professional qualifications and furthers the interests of the business in developing and maintaining professional standards. The

programme is delivered by CIPS appointed tutors on or near to Sellafield's sites in order to save cost whilst making the training readily accessible.

Internal training and competency development - Commercial maintains the capability to deliver commercial training in a number of formats, from classroom style to distance learning Computer Based Training courses. This courseware is designed to provide commercial practitioners with the business specific technical and behavioural competencies relevant to their current roles, as well as supporting the personal development objectives process and is complementary to the CIPS Corporate award programme.

10.2 Roles, Responsibilities and Reporting

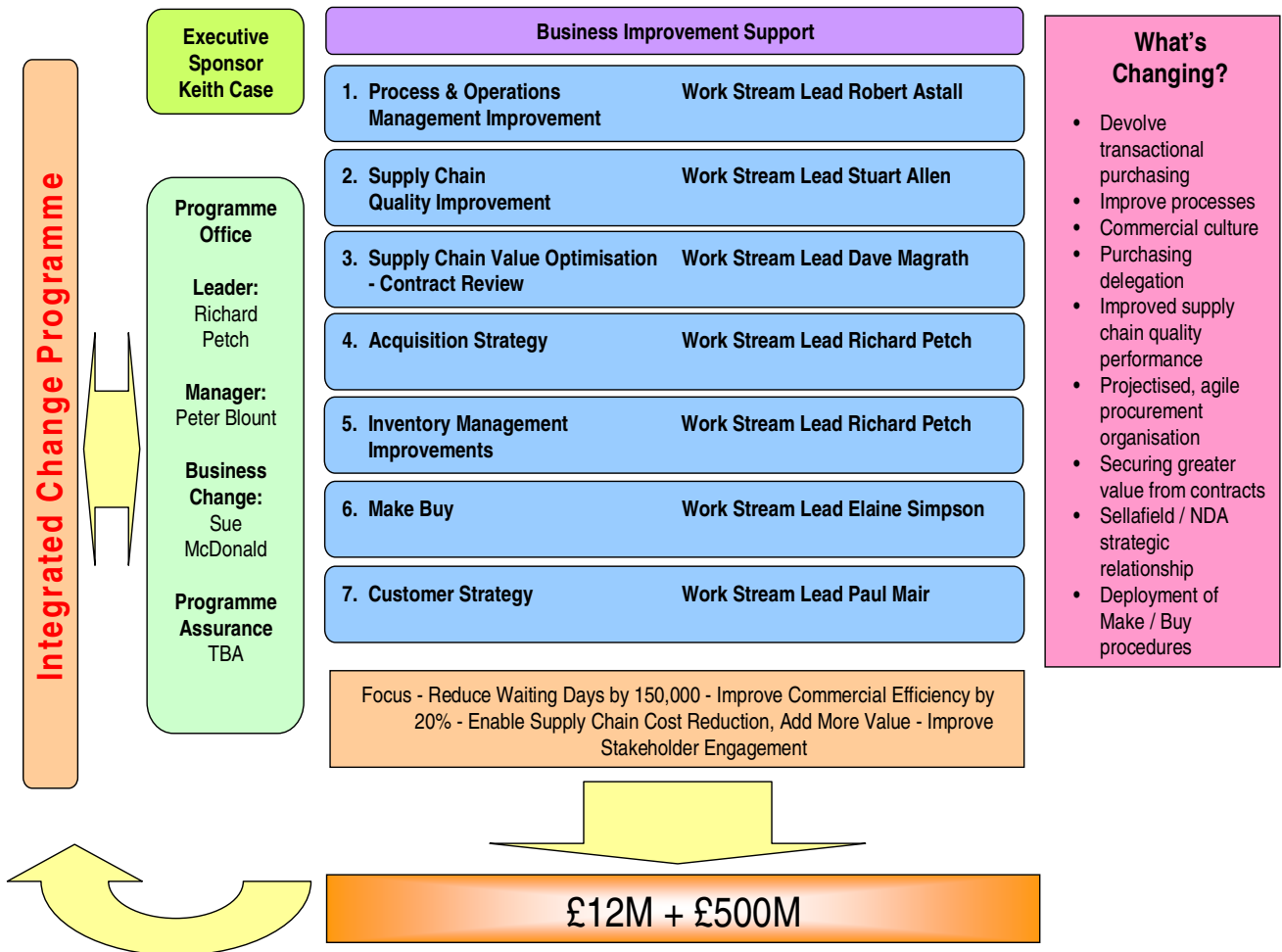
All organisational posts within Commercial are defined by reference to a set of formal profiles covering roles, responsibilities, accountabilities and authorities. These are known as Commercial's 'R2A2' documents; they are formally controlled by the Commercial Head of Profession and may not be subjected to local variation.

Commercial staff performance management is conducted in accordance with standard company procedures. Work scopes undertaken by the Zone Commercial teams are set and prioritised by the relevant Zone Directors or their nominees. Zone Commercial Leads are responsible to the Zone Directors for delivery of that work and for the management of their teams. Members of the Commercial teams are responsible to the Zone Commercial Leads for delivery of the work assigned to them. Going forward into 2011/12, performance reviews will be conducted with input from, client representatives, in line with the projectised operating model and charter.

In Zones 1 to 4 the Contract Officers and a small number of Senior Contract Specialists (in Zone 2) are projectised into the appropriate business area. The Commercial Head of Zone is responsible for service delivery and the business area is responsible for employment & welfare issues. Zone 5 provides procurement services to the functional areas and hence does not use the projectised model. However, Commercial Staff in Zone 5 are aligned to their respective Directorate Clients.

The Commercial teams beneath the Contract Officers have reporting lines to the relevant Head of Zone, whilst taking day to day direction from the Contract Officers.

Appendix 1. Operating Model of the Commercial Change Programme



Appendix 2 Breakdown of Sellafield External Expenditure by Commodity (2010/11)

Description / Group	Value (£K)	% of sum total
Professional services	384,484	44.47
Services	108,834	12.64
Labour	76,958	8.94
Construction	76,385	8.87
Plant & Equipment	57,045	6.63
Materials	52,794	6.13
I.T.	28,964	3.36
Business Expenses	26,927	3.13
Decommissioning & Waste Disposal	19,426	2.26
R&D items	19,197	2.23
Sub Contracting	8,752	1.02
Hired Items	1,020	0.12
Total	860,785	



Sellafield Site

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