

'CP6 landscape from a NR perspective'

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Route Services

Putting Passengers First...What is changing?

- There will be 13 routes, with responsibility for delivery of the operations, maintenance and renewals activity for that geographical route.
- The routes will also be responsible for day to day delivery of train performance and own the relationship with the relevant train operating companies in that area.
- Our five Network Rail regions will be Scotland, Wales & Western, London North Western, Southern (comprising the current Wessex and South East) and Eastern (comprising the current LNE &EM and Anglia).
- Route Directors will be appointed to lead each route and Managing Directors appointed to lead each Network Rail region.
- We are doing this to create organisations that are large enough to absorb further devolution, increase route capabilities locally as well as to improve relationships with our customers and stakeholders. Through this, we can drive better train performance and outcomes for passengers and freight users.

Indicative only, subject to consultation



New Operating Model

- We are deepening Devolution
- Our new operating model will be formed of 13 routes, supported by five regions, two service directorates and smaller teams at the centre
- This is not about reducing overall headcount. It is to ensure that activities and roles sit in the right place in the organisation to drive up performance, efficiency and deliver for our customers



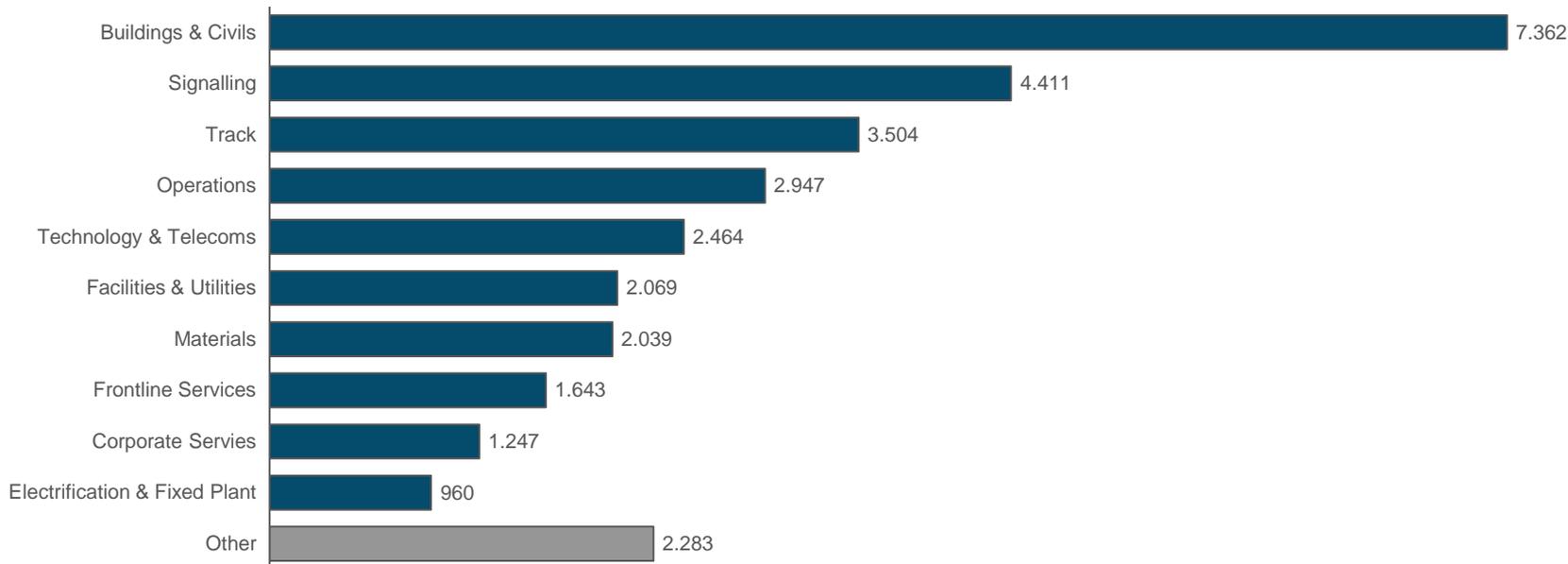
Subject to consultation



Route Services

Network Rail has a projected third-party spend of £30.9Bn in CP6 to cover renewals, goods, works and services

Total CP6 spend (renewals, goods, works and services), £m (excluding enhancements)



Key Principles

Safety

Quality

Value for Money

Innovation

Route Services

Notes: Routes and SCO spend assumed to be included in Route Services CP6 spend. Spend for Digital was provided as YTD spend and recalculated over 5 years. Buildings & Civils include: Buildings & Civils (works/operations), Structures, Buildings (renewals), Earthworks, and Drainage.



In FY 19/20 Network Rail will publish opportunities spanning several categories

Sample opportunities FY19/20

Category	Key Opportunities	CP6 Value*	Expected Contract Start
Buildings & Civils	Property Retail Framework	£246m	August 2019
	Property Consultancy Framework	£74m	September 2019
Operations	Supply and Fitment of ETCS Equipment to OTMs	£183m	June 2019
	Road Vehicle Leasing (GL 873670)	£151m	December 2019
Facilities & Utilities	Total Facilities Management Tender	£98m	April 2020
	Renewable Energy Power Purchase Agreements	£70m	April 2020
Materials	Tender for indirects / distribution	£128m	May 2019
	Cables Tender	£122m	August 2019
Technology	Telecoms	£878m	April 2019
	Managed Services	£285m	April 2019
Frontline Services	Vegetation Management Tender	£155m	March 2020
	Supply, Hire and Maintenance of Rail Specific, Non-Rail Specific and High Output Portable Plant	£130m	April 2020
Corporate Services	Recruitment Single Market Interface	£317m	January 2020
	Hotels and Travel	£140m	April 2020



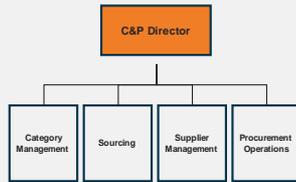
Route Services

Notes: CP6 Value indicates expected contract spend attributable to the contracts between 01/04/2019 and 31/03/2024. Buildings & Civils exclude opportunities within Structures, Buildings (renewals), Earthworks, and Drainage. Technology excludes opportunities within Telecoms (renewals)

To address challenges we explored Route Services C&P organisation & people and procurement operations, and developed a Pipeline for CP6

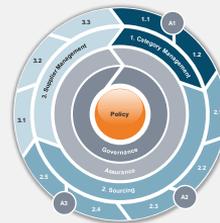
Context

Organisation



- A new organisational structure of RS C&P has been established in accordance with agreed design principles
- The future organisation features 4 teams: Category Management, Sourcing and Supplier Management supported by a Procurement Operations team
- The 7 Commercial Areas are rationalised into 4 categories to reduce overlap and capitalise on common expertise amongst practitioners

Procurement Operations

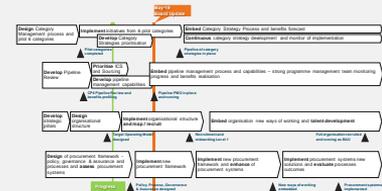


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- A formalised and methodological approach for the end-to-end procurement of RS C&P through the new **Procurement Management Framework**, based on industry best-practice
 - Greater emphasis on strategic thinking and collaboration
 - Clarified roles and responsibilities
 - Review of procurement policy
 - Reworked governance mechanisms and introduction of new assurance framework

Next Steps

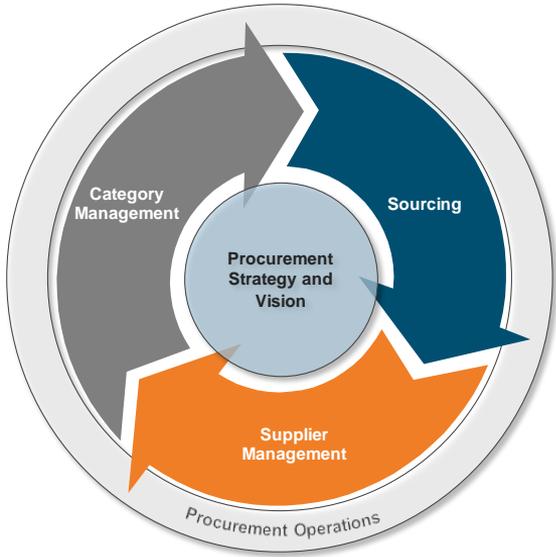
Programme Update



- C&P transformation 3 year roadmap completion is on-track
- Next steps are the design and agreement of a phased implementation plan that also takes into account the outcomes of the 100 day plan review
- Implementation will be accelerated in some key areas so progress can be identified for CP6 commencement



The Organisation is divided into functional areas based on the recommendations of the external assessment reports and incorporating the design principles



Benefits summary

<p>Category Management</p>	<ul style="list-style-type: none"> Consolidation and alignment of category teams to have primary customer focus Increased engagement with customers will capture changes in anticipated demand Development of bespoke Integrated Category Strategies for each category to be managed and updated accordingly Demand aggregation to maximise overall value opportunity to include savings
<p>Sourcing</p>	<ul style="list-style-type: none"> Enablement of commercial and contractual value creation with clear accountability Delivery of significant bottom-line savings and benefits Demand challenge and delivery of innovative commercial models
<p>Supplier Management</p>	<ul style="list-style-type: none"> Deliver the fullest overall cost, risk, relationship and supplier performance value from key suppliers Facilitation of supplier meeting governance frameworks and joint account plans Collaborating with key suppliers with an ambition for Network Rail to become their customer of choice
<p>Procurement Operations</p>	<ul style="list-style-type: none"> Implementation of a best-practice procurement operations framework Drive purchase-to-pay compliance up to market best-practice standards Delivery of risk and assurance expertise throughout the Category, Sourcing and Supplier Management process Implementation of a balanced scorecard to align customer and stakeholder business priorities

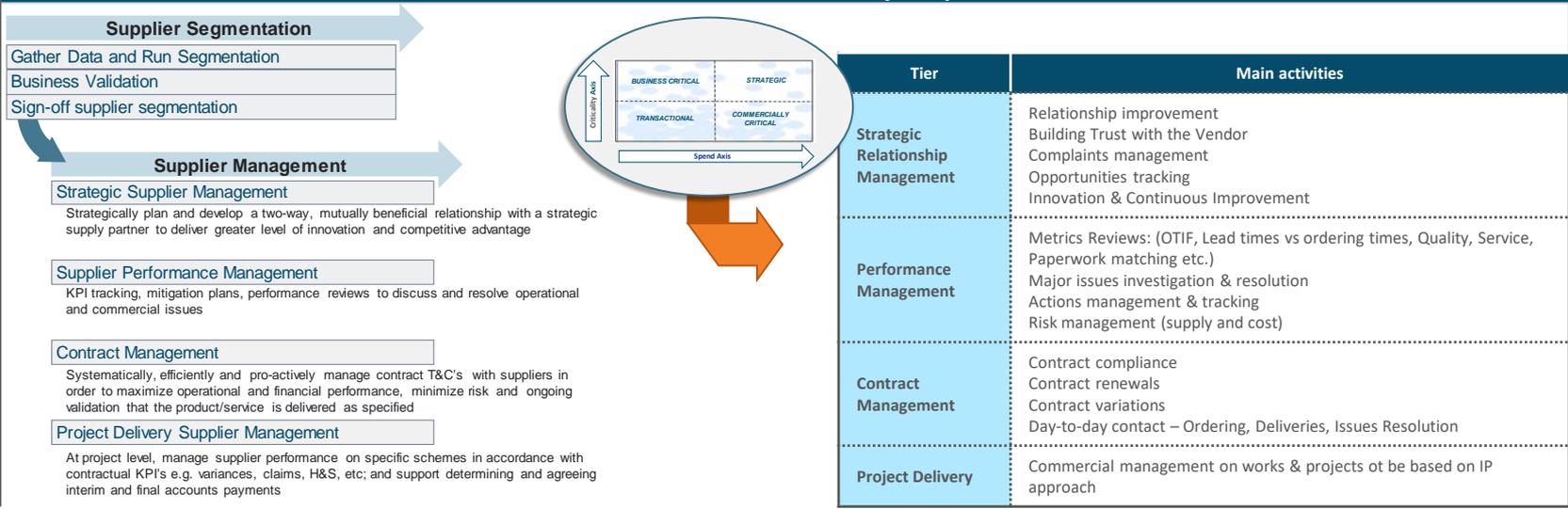


Supplier Management framework will segment suppliers according to value and business criticality and standardise how Network Rail's approaches and manages supplier relationships

Supplier Management High-Level Design

- Design principles**
- A supplier segmentation model to recognise how relationships can be managed differently depending on spend and risk
 - Collaborative working between supplier management and sourcing teams during the tender phase to effect a seamless transition into contract mobilisation
 - Optionality to reflect the differences between goods & services, as well as works and projects

Process to be detailed January – April 2019



Engaging with Contracts & Procurement

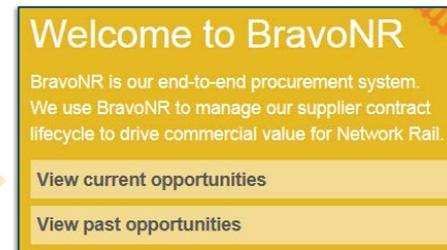
Network Rail's end-to-end contract management system is BravoNR – www.networkrail.bravosolution.co.uk

Becoming a registered supplier

- To become a registered supplier, access the website and click on the 'Register Now' link within the login box.
- Complete all the mandatory fields and click save to progress through each stage of the registration process.
- As part of registration suppliers can express interest in the relevant Network Rail category code (suppliers will be notified when Network Rail publishes an opportunity against their chosen category codes).
- Once your registration has been confirmed, Network Rail will activate your account.
- From the BravoNR home page, suppliers can also view current live Network Rail and pan-government opportunities.
- Please visit www.networkrail.co.uk/industry-commercial-partners/supplying-us for further information.

Register by
Clicking the link

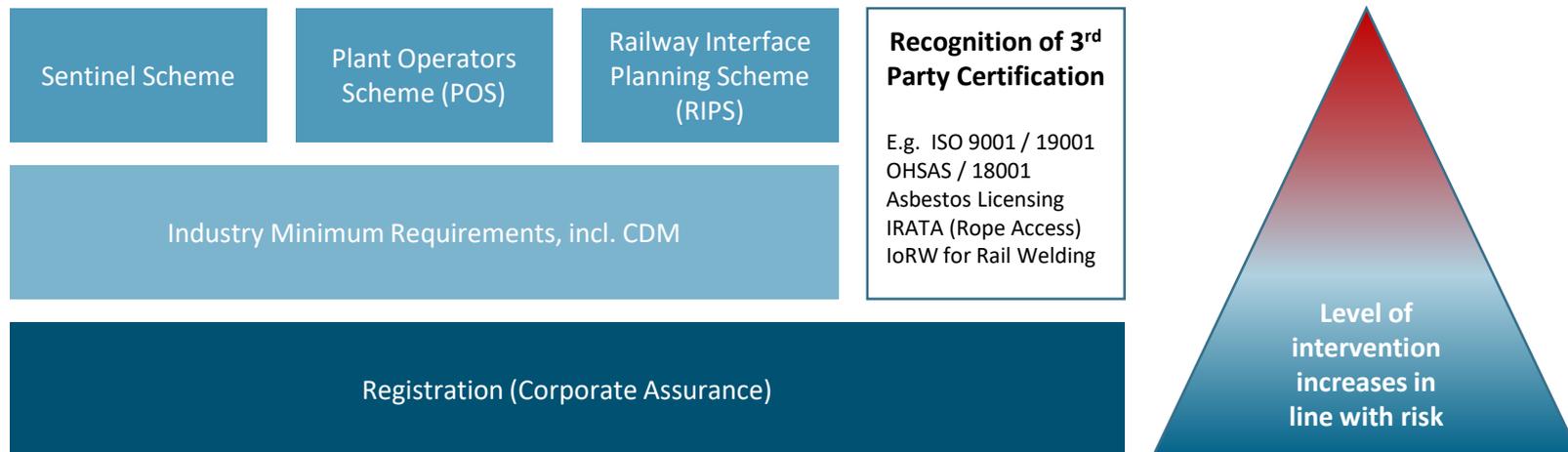
Opportunities are
listed on BravoNR

Network Rail are currently working with the RSSB to explore the possibility of sharing information between RISQS and BravoNR to reduce duplication of effort for suppliers.



Rail Industry Supplier Qualification Scheme (RISQS)



RISQS

- Qualification
- Management System
- Company Wide



Objectives

- Provide an entry route for suppliers wishing to pre-qualify to supply rail industry
- Provide procurement tool for industry and assist with EU compliance
- Help to inform suppliers of legal, safety and/or quality requirements
- Reduce duplication of supplier assessment



We are listening to supplier feedback

Innovation

- Innovation is limited because of cost constraints and safety reasons.
- Standards are not challenged and there is no clear path to take ideas from conception to delivery.
- NR needs to be more open to different delivery methods, learn from other sectors and embrace change.

Devolution

- NR is not aligned to regional devolution and there is local disparity.

Engagement with suppliers

- NR is perceived as monolithic, multiheaded, bureaucratic, slow and inflexible.
- NR is seen to have become increasingly conservative and risk averse.
- Network Rail is seen as inconsistent in its approach.

Procurement

- Procurement is perceived as difficult, bureaucratic and faceless.
- NR adopts a “one-size-fits-all” approach, which penalises SMEs.

Collaboration

- NR promote collaborative approach with suppliers, however extra work is created by seeking unnecessary reassurance.

Work visibility

- There is limited visibility of NR work bank.
- Lack of work bank visibility is a major block for innovation.



