

Workshop Topic:	1. Workload volumes		
Date	14/06/2017	Location	Brindley – The Cube
Start Time	10:00AM	End Time	16:00PM
Attendees:	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><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	Key Questions discussed
1	Which RIS1 schemes are within the scope of the Design Partner contracts?
2	What is the programme for planned pavement allocation and how does this work with RIP RtM?
3	How do additional regional schemes get allocated if another DP under performs? How do we want suppliers to evidence capacity if their requirements change from 1 region, to 2 “if called upon”?
4	What is the latest forecast for levels of RIS2 spend / activity within each of the regions?
5	What is the likely volume of Operations schemes in each region for RIS1 and RIS2?
6	Is there a limit to how many regions the Construction Partner can win?
7	How will the Operations schemes be programmed to evidence forward workload?
8	What is the projected spend for LA works? What has been sourced by LA’s within HE to date?
9	How will we group RIS1 schemes to make each regional contract attractive and / or equitable?

10	How, when and on what basis will we allocate RIS2 schemes?
11	How long will the contracts last?
12	Is there sufficient work to justify 2 DPs in each region across the contract period?
13	What is deemed a "sufficient" programme of works?
14	Will we cap total value / volume of works to be awarded to any DP in a region (or across regions)?

Key Decisions:	Rationale	Owner
\$ Local Authorities out of scope for RtM	\$ Value of schemes is below material threshold for RtM	\$ Agreed by consensus
Assumptions (Opportunities & threats)		
<ul style="list-style-type: none"> RIS2 spend by region provided by S&P team Spend allocated for 2.5 years' worth of work Contract to be built with agility and flex for RIS 2 RIS 1 contract to be built with flex 50% of estimated spend fixed, 50% variable in the contract 400m allocation plus flex for 4 years (RIS 1) plus 500m for 4 years (RIS 2) à 30% contingency per region built in for RIP/Ops, LAs will go through CWF (not RtM) HE are providing more visibility to supply chain than other clients (e.g. HS2) 		
Follow-up questions		
<ul style="list-style-type: none"> Who has visibility of RIS 2 (S&P/NIP)? What is the scale of the schemes regionally? Who has the benchmark data from CI (actual spend at each stage)? 		

Actions:	Owner	Due Date
1 [REDACTED] to source RIS2 spend from commercial lead (Tej)	[REDACTED]	20/06/17
2 Owner to contact [REDACTED] to understand RIS 2 spend. Escalate to TG to see if there is an alternative route for RIS2 spend	[REDACTED]	20/06/17
3 [REDACTED] to create a template for output from supplier engagement sessions to take to steering group	[REDACTED]	20/06/17
4 [REDACTED] to create summary slide from Workshop 1 to take into Workshop 2	[REDACTED]	14/06/17
5 [REDACTED] to source additional benchmarking data	[REDACTED]	20/06/17
6 Contact Rob Baker for RIS 2 design estimates	[REDACTED]	20/06/17
7 [REDACTED] to ensure format of workshop output is suitable for review at Steering Group	[REDACTED]	15/06/17

Group discussion

- [REDACTED] Aim for the day is to determine the split of work across regions and to test for each region if the 'two contractor-two designer' model is the most appropriate. If not, third-party access should be looked at as an option
- [REDACTED] There has been a significant increase in demand from LAs in recent months to use the CDF; however HE has had to turn a lot of them away due to a lack of capacity within CDF
- [REDACTED] presented a review of feedback from the RtM supplier engagement day
- [REDACTED] Measuring the estimated spend per region in 8 years' time is a difficult task given that operations spend is currently only planned one or two years in advance. The view of RIS 1 spend is much clearer than RIS 2
- [REDACTED] It would be helpful to have a brief overview of spend per region (for design, construction etc.) and have this drawn on a map; even if the figures are indicative at this stage and need further working up.

- There are currently three sources of data with differing figures for the estimated spend for RIS 1 & RIS 2. A key task for the day is to rationalise these documents and get to one version of the truth
- The current estimate for total spend in RIS 1 is £4.6BN, of which 70% is construction spend and 30% is design spend
- The split of design and construction spend is likely to vary across years. Furthermore, Greenfield projects are likely to have a different split
- No detailed data is currently available for RIS2 spend; there is only an indicative figure. Engagement is required with the S&P team to fully understand what the projected spend will be. The final RIS 2 scheme list is planned to be provided in July 2019. However, before that date a list of assumptions as to how the schemes will be worked up is required to feed into RtM
- RIS 1 estimated spend:

Region	Amount (£m)	Schemes (Qty)	Percentage of SRN
NW	£838m	7	17.7%
East	£855m	10	18.1%
Midlands	£677m	7	14.3%
SE	£1010m	12	21.3%
SW	£559m	4	11.8%
Yorkshire & NE	£797m	8	16.8%
	£4736m	48	100%

- Requirements for the OBC need to be factored into this workshop so we know what is required as an output. Flexibility needs to be built into RIS 2 planning because the figures are likely to change over the next few years. HE needs the flexibility to bring projects from RIS 2 into RIS 1 (vice versa). But this cannot be to the detriment of control. Achieving the correct balance between control and flexibility is crucial to ensure RtM does not become a framework (i.e. no change from CDF). Furthermore, the OBC should provide enough flexibility for the business to be able to modify spend values based on business priorities, political landscape and other external factors
- Local authorities may find it easier to go through CWF rather than RtM; or initiate schemes as a one-off rather than going through a particular procurement vehicle/framework. Most of the schemes are below a material threshold
- Of the £400m spend in RIS 1, 12% is to be spent on technical partners, 15-18% for detailed design (some of which may be let as part of a design and build contract); depending on whether design and build is chosen as a desired option the £400m may be extended to £500-1400
- The benchmark data team holds information on spend per stage. A further question to be answered is whether ECI is to be used (and when); and how the novation process works
- Model: Forecast volumes (lowest possible guaranteed amount); Expected volume (which cannot be guaranteed); contingency volume (best case scenario). The price and contract is based on the forecast volumes, but the supplier will have enough capacity to hit the contingency target. In August 2019 a confirmation point is reached where a solid forecast for the rest of the 8 years can be communicated to the supply chain. A compensation event is only enacted if the expected volume is more than 10% higher or lower than forecasted
- Suppliers are unlikely to tender for contracts which are variable in nature e.g. they may not have capacity to deliver a larger contract than they expected
- A breakdown of plant, materials, overheads, profit margin, people costs etc. exists for every contract. These numbers can be broken down to understand what the minimum threshold for investment would be for each supplier and therefore what the minimum forecasted spend needs to be from HE. This can then be discussed with the supply-chain. The conversation with Tier 1 contractors needs to include a focus on the investment required by Tier 2 & 3 contractors
- Recommends an urgent workshop with the supply-chain and the 4 largest suppliers not involved in CDF to understand what their requirements are (there was no engagement with the supply chain in

the formation of the SOBC); otherwise it is possible that the wrong decisions will be made in the workshops. Both designers and contractors need to be engaged with

- [REDACTED] The most crucial aspect of the new contract is that there cannot be secondary competition
- [REDACTED] Even though secondary competition is not to be part of the model, HE should still consider the situations where secondary competition may be relevant
- [REDACTED] The contract scope and partnership model workshops are likely to be repeated once engagement with supply chain has taken place
- Consensus was reached around the room that the first three workshops should create an agenda for engaging with the supply chain (and answering questions around novation etc.). The first three workshops should no longer be focused on delivering outputs, but rather should focus on creating a list of questions to take to supply chain; a suggested model (FEC model) based on assumptions should also be presented and validated
- [REDACTED] Supply-chain workshop should take place in 3 weeks (week beginning 3rd July); placeholder to be put in ASAP. Stress-testing workshop can take place after this. Workshops 4 & 4.5 should be focused on collating data, inputs and assumptions to take to supply-chain. The null hypothesis should be the 6 region model as described in the SOBC and the supply-chain should be given the opportunity to provide feedback about the model. Engagement needs to occur with senior stakeholders from the supply chain (i.e. MD level)
- Engagement with supply chain can take place through the 'collaboration board'. A questionnaire can be sent to the wider supply chain group
- [REDACTED] Suppliers should be limited in terms of the number of regions they can bid for (2 maximum). Such a model may allow smaller suppliers to grow and expand by taking hold of a particular region, which would increase future competition and efficiency
- [REDACTED] Suppliers' feedback from the initial engagement event must be incorporated into upcoming conversations; otherwise they are less likely to engage in the future
- Consensus was reached around the room that Workshops 6-10 should be conducted over a two-day period to give enough time to engage with the supply-chain simultaneously
- [REDACTED] Two critical risks for the programme are the RIS2 plan and governance framework; expectations need to be managed around feasible timeframes given these risks
- After all Design Decision Workshops are complete, solution workshops will take place as a 'go/no-go' stage to decide on the agreed solution, prior to forming the contract. Simultaneously, supplier engagement will take place throughout the workshop period
- [REDACTED] It is important to agree assumptions for the regional split for RIS 2
- [REDACTED] There is roughly £300 million in design work for RIS1; Tim Dyer's team produced a paper on design management. Commercial management unit have benchmarks on what proportion sits within Phase 3 and Phase 4