Local Highway Authority Supply Chain Collaboration Toolkit
Maximising savings, efficiency and employment/skills benefits from new and existing Highways Maintenance Contracts
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# Local Highway Authority Supply Chain Collaboration Toolkit

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1 Foreword

1.1 About the HMEP Programme

The Highways Maintenance Efficiency Programme (HMEP) is developing a sector-led transformation programme that will maximise returns from highways investment and deliver efficiencies in highway maintenance services. The Programme started in April 2011 with sponsorship from the Department for Transport and is intended to run until 2018. The Programme is being developed mainly by Local Highway authority staff with assistance from consultants where necessary.

The Programme is offering Local Highway Authority practitioners benefits from different ways of working. The vision is that over time, those involved in highways maintenance delivery, the Local Highway Authorities as clients and their service providers, be they from the private or public sector, will adopt an ambitious and longer-term approach to enable them to:

- Continuously find new and improved ways of delivering services to highway users and managing highways assets
- Make use of collaborative partnerships to improve processes and outcomes
- Deliver a sustainable balance between meeting the needs of highways users, improving quality and minimising costs.

The overall programme has been developed by the HMEP Programme Board through key personnel who support HMEP’s development. This will ensure that:

- The Programme is truly being driven by what the whole sector needs and wants (‘by the sector for the sector’)
- The solutions identified by the sector are relevant, realistic, repeatable, scalable and sustainable
- HMEP is benefits-led, driving true transformation of the sector with tangible efficiency gains and a lasting legacy.

As a transformation programme HMEP is targeting the ways Local Highway Authorities conduct their business. It invites the sector to adopt new ways of working to deliver efficiency savings through:

- **Collaboration** - looking at how Alliances between Authorities can be formed to share procurement activities to achieve more competitive prices or bolster specialist resource, where these are lacking. Other means include renegotiating existing contracts with the supply chain and a variety of partnerships between clients and their private sector providers

- **Procurement, Contracting and Standardisation** – advising on the routes to procurement and providing the tools so that efficiencies can arise through the use of, for instance, a standardised form of contract and highway maintenance specification
• **Asset Management** – by providing advice to the sector in the form of updated guidance, for both a straightforward and, where appropriate, more complex lifecycle planning tool to determine whole life asset costs, thus moving away from a reactive to a longer-term approach for maintaining highways assets.

• **Benchmarking & Performance** – collecting, sharing and comparing performance data on Cost/Quality/Customer perceptions to help both understanding to show how effective Local Highway Authorities are in delivering Value for Money services and drive targeted efficiencies.

Products and tools are being developed for each of these themes and are being designed to be interdependent, but complementary, so that authorities can maximise their returns from their investments.

Specific products are just part of a wider offering to the Sector comprising:

• **Health Check/Corporate Review** - to enable organisations to identify and prioritise potential opportunities for efficiency gains and ‘baseline’ their current level of efficiencies/operation

• **Signpost and Brokerage** - to direct stakeholders to ‘good practice’ resources and broker access to Champions

• **Knowledge Hub** - to provide a living community for sharing ‘good practice’ around generating highways efficiencies

• **Design, Deliver and Enable Projects** - to test and validate initiatives designed to achieve efficiencies and capture the efficiency gains anticipated and achieved via a defined gateway process

• **Industry Forums** – to bring together stakeholders to create a culture of continuous learning and sharing of efficiency, ideas and practices that shape the focus and future direction of HMEP.

The HMEP offering will be backed by members of the Programme Board and others acting as ‘Advocates’, ‘Sponsors’ and ‘Champions’ to the sector, sharing experiences of how they have achieved efficiency savings through implementing various initiatives from the Programme.

1.2 **About this Toolkit**

The HMEP Programme Board understands that Local Highway Authorities are under pressure to deliver efficiency in respect of highway maintenance and that many such Authorities have entered into long term maintenance contracts that have a number of years still to run.

As a result, the HMEP Programme Board has commissioned this Toolkit to give Local Highway Authorities guidance and documentation that will enable them to review their new and existing contractual arrangements and implement efficiency measures, not only at the point of procurement but also during the course of existing contracts. In addition, the HMEP Programme Board understands the need to have a skilled workforce that is fully
qualified to meet the extensive needs of the nation's highways. This Toolkit also describes how Local Highway Authorities can develop employment and skills strategies and integrate them into their existing contracts.

There is a focus throughout this Toolkit on delivering "more for less" and the HMEP Programme Board consider that the methods and processes outlined in this Toolkit can be incorporated into future highway maintenance contracts to ensure that they are imbedded into the culture of Local Highway Authorities.

The HMEP Programme Board is pleased to note the publication by the Cabinet Office Efficiency and Reform Group in January 2014 of draft "Project Procurement and Delivery Guidance Using Two Stage Open Book and Supply Chain Collaboration". This Toolkit is consistent with the principles and processes set out in that guidance.

1.3 Legal advice

This Toolkit provides details guidance and template documents that include models for new legal and contractual commitments. Authorities are free to use models in order to adopt an economical and consistent approach, but should seek their own legal advice on how specific documents are to be completed.
2 Need for Supply Chain Collaboration

2.1 Background to this Toolkit

England has over 187,000 miles of highway, from country lanes to motorways. They are the nation’s single biggest transport asset and they provide a vital link for individuals, communities and businesses. Local Authorities in England spend approximately £4bn per annum maintaining the local highway network; it is considered that this Programme can contribute towards delivering the target set by Infrastructure UK of a 15% reduction in costs through more efficient delivery of projects and programmes over the next five years. In these testing economic times, we need to learn to do things differently, to drive down costs and drive up efficiencies. To achieve these targets, Authorities need to secure savings under their existing contracts.

In recognition of this, the Department for Transport has allocated funding for a package of measures aimed at supporting English Local Highway Authorities as part of a comprehensive and long-term efficiency Programme. Over the coming years HMEP, or its successors, will continue to provide practical and adaptable efficiency solutions. It will allow authorities to make more informed local investment decisions to support their local communities and economies. This Toolkit will provide invaluable assistance to Authorities in delivering efficiency and imbedding best practice under existing and future contracts.

The processes outlined in this Toolkit have been used extensively in other industries and have been piloted by authorities as part of the Programme.

Jason Russell, Assistant Director, Highways at Surrey County Council, has overseen the development and delivery of this Toolkit on behalf of the Programme. Surrey County Council has pioneered the techniques set out in this Toolkit within the Highways sector and has developed a track record of delivering savings and efficiency from existing maintenance contracts.

This Toolkit establishes processes for delivering continuous improvement and delivering "more for less". The Highways sector is fast-moving and innovative, and new solutions for delivering better technical performance, lower cost (including lifecycle costs) and greater sustainability are in continuous development. The HMEP Programme Board wishes to ensure that Local Highway Authorities are equipped to take advantage of these changes and deliver the most effective and efficient solutions for road users.

For the first time, Supply Chain Collaboration enables an Authority to improve on the costs and value offered at tender stage and to explore the benefits of an enhanced supply chain including a local focus on the value offered by SMEs. These systems need to be carefully and systematically constructed and programmed by means of contractual obligations that are compliant with EU procurement regulations.

2.2 What are Frameworks and Long-term Contracts?

Frameworks and Long-term Contracts are not new in the highways sector and have been used by public sector clients in many different ways to meet their strategic needs. What has not been fully exploited until now is the opportunity to introduce into a Framework or Long-term Contract a system for programmed post-award Supply Chain Collaboration processes, undertaken after Tier 1 Contractor selection.
Frameworks govern the award, by allocation or mini-competition, of works/services/supplies that themselves are not yet fully defined. Under EU procurement regulations, Frameworks have a maximum duration of four (4) years, subject to limited exceptions and subject to permitted call-off contracts extending beyond the four (4) year limit.

Under a Framework, the Authority need not commit any specific work to the selected Tier 1 Contractor(s), but will create the machinery to award separate contracts over a period up to the permitted maximum by one of two means:

(a) Either direct allocation against previously agreed prices; or

(b) By mini-competition among a number of Tier 1 Contractors (being more than two) to which Frameworks have been awarded.

Long-term Contracts govern call-off orders for works/services/supplies which have been fully specified and priced, and Long-term Contracts can be for any agreed duration.

Under a Long-term Contract, the ordering of particular types and quantities of works/services/supplies will be by means of call-off through an agreed process. Therefore, it is necessary for the Authority to clarify the brief and pricing in sufficient detail so that the relevant types of works/services/supplies orders can be implemented without the need for further agreement. An Authority needs to ensure that its Long-term Contract contains a sufficient level of specification and pricing detail with supporting call-off mechanisms to ensure that it does not need to be materially altered when orders are issued.

Under any Framework and Long-term Contract, there are new opportunities as described in this Toolkit to create contractual mechanisms by which the Authority works with the appointed Tier 1 Contractor to review and reengineer the value and the employment and skills commitments offered by the Tier2/3 Subcontractors and Suppliers that comprise its supply chain. A Supply Chain Collaboration process allows the Authority and the Tier 1 Contractor to analyse direct labour, subcontracts and supply contracts in order to establish whether better value options are available which may also deliver refined and developed employment and skills outputs.

Supply Chain Collaboration enables the Authority to influence the Tier 1 Contractor's use of local and national sources of labour and/or its engagement of small and medium sized enterprises in a legally compliant manner.

Well-structured Supply Chain Collaboration provides a transparent and controlled process by which the Authority can take an active role working with the Tier 1 Contractor to ensure that its programme of works/supplies/services is supported by the most efficient supply chain capable of delivering the Authority's requirements. Part of this process can involve the Tier 1 Contractor testing its supply chain arrangements by inviting bids from potential alternative Tier 2/3 Subcontractors and Suppliers. By this means, the Authority and Tier 1 Contractor can establish whether it is possible to improve on the assumptions and proposals in respect of direct labour and Tier2/3 Subcontractor and Supplier appointments included in the Tier 1 Contractor's original tender. Often these original tender assumptions and proposals are incomplete or influenced by time constraints or incorrect assumptions,
and later reviews enable the parties to identify where better value and enhanced employment and skills commitments can be achieved.

Supply Chain Collaboration should follow a process jointly agreed by the Authority and Tier 1 Contractor. It should be emphasised that such process does not allow the Authority unilaterally to nominate Tier2/3 Subcontractors and Suppliers or to specify which supply chain members the Tier 1 Contractor must use to deliver the works/services/suppliers. For the Authority to nominate or insist on particular supply chain members would be likely to affect the willingness of the Tier 1 Contractor to be liable for the work of those supply chain members and is also likely to risk breach of EU procurement regulations where those supply chain members have not themselves been selected by the Authority using a separate EU procurement process.

Even without express contractual provisions for Supply Chain Collaboration processes, an Authority with a Framework or Long-term Contract should explore whether it can rely on a more general commitment to achieve improvements over the life of its Framework or Long-term Contract as a basis to agree with its Tier 1 Contractor the detailed Supply Chain Collaboration processes consistent with this Toolkit under which they will revisit the original supply chain costs, added value and employment and skills commitments obtained at the point of tender.

2.3 Frameworks, Long-term Contracts and EU Compliance

The EU procurement regulations (enacted in the UK through the Public Contracts Regulations 2006) impose obligations on how public sector clients (known as contracting authorities) award contracts for goods, works and services above certain thresholds. They include prescribed procedures (Open, Restricted, Negotiated and Competitive Dialogue) which those public sector clients must use to award contracts. The EU procurement regulations are intended to ensure that what was advertised as part of the tender process is what the winning contractor is required to provide.

For this reason, the EU procurement regulations do not permit public sector clients to negotiate with bidders (except under the Negotiated Procedure) in order to avoid unfair advantage being given to certain bidders. Also, the EU procurement regulations prohibit clients from making material changes to contract conditions once the procurement process has been completed.

The EU procurement regulations are intended to break down barriers to trade between member states. Therefore, public sector clients are also prohibited from favouring local or national bidders and from requiring the winning bidder to use a locally based or even national supply chain.

Authorities will wish to ensure that Supply Chain Collaboration under Frameworks or Long-term Contracts is consistent with EU procurement regulations including as to:

(a) Pricing at the point of Tier 1 Contractor selection – whether this must be comprehensive;

(b) Changes to tender requirements - whether Supply Chain Collaboration leads to changes which constitute a material change to the contract terms;
(c) "Buy local" requirements – whether Supply Chain Collaboration can or should require the Tier 1 Contractor to appoint local workforce, Tier2/3 Subcontractors and Suppliers;

(d) Direct labour organisations – whether their status gives rise to a different approach;

(e) In the case of Frameworks, whether contracts for individual projects need to be separately advertised.

Each of the above issues is addressed in this Toolkit so as to ensure that Supply Chain Collaboration under Frameworks or Long-term Contracts is undertaken in a manner which complies with the EU procurement regulations.

2.4 What is Supply Chain Collaboration?

Supply Chain Collaboration is a set of Authority processes that examine work/supply packages in order to help ensure that existing frameworks, alliances and long-term contracts achieve savings and improved value in the delivery of public sector projects and programmes of work.

Supply Chain Collaboration, as summarised in Flowchart 1, uses processes by which one or more Authorities and one or more Tier 1 Contractors review together their existing Tier 2/3 Subcontractors and Suppliers and establish whether improved mutual commitments in relation to particular work/supply packages will generate further savings and improved value. Supply Chain Collaboration secures transparency and continuity of costs combined with higher levels of integration. The processes governing this joint work are put in place under a new EU procurement or under an existing Framework or Long-term Contract.

Flowchart 1 – Summary of Supply Chain Collaboration

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<th>Authority(ies), Tier 1 Contractor(s) and Consultants agree scope for achieving savings/improved value through improved mutual commitments with Tier 2/3 Subcontractors and Suppliers</th>
<th>Timetabled processes led by Tier 1 Contractor(s) to obtain and agree new proposals from Tier 2/3 Subcontractors and Suppliers</th>
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Over the life of a new or existing Framework or Long-term Contract, additional savings and improved value can be achieved through the Supply Chain Collaboration processes by revisiting the original design, cost, risk and programme assumptions made by any Tier 1 Contractor. Through Supply Chain Collaboration one or more Authorities can work jointly with one or more Tier 1 Contractors to test and review firstly whether improved mutual commitments can be achieved, in conjunction with activities that generate additional
integration, information and innovation, and secondly whether these improved mutual commitments and activities can secure savings and other improved value in specific work/supply packages and in the programme of works/services/supplies as a whole.

If the Supply Chain Collaboration processes are planned and set out binding deadlines under a "preconstruction phase timetable", they avoid delays in delivery of the programme of works/services/supplies and often lead to significant time savings.

2.6 What are the key features?

The key features and processes of Supply Chain Collaboration are as follows:

- One or more Authorities and one or more Tier 1 Contractors agree an organised and timetabled process under new or existing Frameworks or Long-term Contracts to review and seek improvement in the relationships and commitments established with Tier 2/3 Subcontractors and Suppliers;

- The Authority(ies) and Tier 1 Contractor(s) seek improved, consistent specifications for specific work/supply packages and identify the maximum scope and duration of prospective Tier 2/3 Subcontractor and Supplier appointments;

- Through workshops, clear enquiry documents, negotiations and post-selection detailed discussions, existing and proposed Tier 2/3 Subcontractors and Suppliers are invited to offer savings and other improved value in return for improved Client/Tier 1 Contractor commitments.

2.7 What are the benefits?

Supply Chain Collaboration is a set of Authority processes Supply Chain Collaboration creates additional opportunities for a client to obtain, evaluate and accept proposals for savings and other improved value. These proposals have been demonstrated to generate results that include:

- Significant, transparent cost and time savings;

- Improvements in design and build quality;

- Successful project planning, risk management and problem resolution;

- Extended warranties and more sustainable solutions;

- Stakeholder engagement and new opportunities for SMEs and local businesses, plus increased employment/training commitments.

New opportunities for these proposals arise under Supply Chain Collaboration as follows:

- Proposals submitted as part of early Tier 1 Contractor selection that can then be tested against any alternatives and improvements before a final client decision needs to be made as to their affordability and suitability;

- Proposals invited and evaluated when reviewing and/or retendering work/supply packages with 2/3 Subcontractors and Suppliers;
• Proposals developed by an integrated team before and after Tier 2/3 Subcontractor and Supplier selection.

Through the above processes, an Authority will have the maximum opportunity to learn in detail what matters most to the Tier 1 Contractors and to each Tier 2/3 Subcontractor and Supplier in how they go about their work, and what steps can be taken to improve the ordering and organisation of this work so as to maximise the opportunities for savings and other improved value.

As regards benefits for Tier 1 Contractor, open book costing combined with prior agreement of the Tier 1 Contractor’s fees/profit/overheads under the Supply Chain Collaboration processes ensure that agreed cost savings do not erode margins.

Also, joint working in Supply Chain Collaboration enables the Tier 1 Contractor to influence robust programming and early risk management activities, so that projects proceed on an agreed basis supported by maximum information.

Supply Chain Collaboration creates an environment in which Tier 1 Contractors can demonstrate savings and other improved added value in order to obtain additional work, contract extensions and other agreed incentives such as shared savings.

Supply Chain Collaboration strengthens and improves commercial relationships that create benefits for Tier 2/3 Subcontractors and Suppliers by means of:

• An improved bidding process where the Tier 1 Contractor has already been appointed, so that a bidding Tier 2/3 Subcontractor or Supplier has a significant chance of success (say one in 3), compared to the original tender process where it bids to a Tier 1 Contractor that is itself still bidding to the Authority (say as one of 6) with a much reduced chance of success for the Tier 2/3 Subcontractor or Supplier (approximately one in 18);

• A better understanding of the programme of work/services/supplies through direct dialogue with the Authority and Tier 1 Contractor and an opportunity to achieve competitive advantage by demonstrating proposals for improved design/risk management/programming, and additional benefits such as extended warranties and employment and skills commitments;

• The opportunity to win larger amounts of work for longer periods than the Tier 1 Contractor(s) originally anticipated;

• The opportunity to influence directly the approach taken by the Authority and/or Tier 1 Contractor to any aspect of the programme, so as to improve efficiency and reduce risk in delivery of the Tier 2/3 Subcontractor or Supplier work/supply package.
3 How does Supply Chain Collaboration work?

3.1 The contractual machinery

Provisions for Supply Chain Collaboration of the Tier 1 Contractor's arrangements for direct labour, Tier 2/3 Subcontractor and Supplier resources can be introduced into any Framework or a Long-term Contract, whereby:

(a) Review processes are undertaken on agreed dates pursuant to a contractually binding timetable, whether or not linked to the continuation or extension of the Framework or Long-term Contract; or

(b) A mini-competition or conditional call-off is undertaken pursuant to a Framework; or

(c) Collaborative arrangements are agreed pursuant to more than one Framework or Long-term Contract, whereby Tier 1 Contractors jointly review supply chains in order to establish whether better value (including enhanced employment and skills outputs) is available if one or more of the same supply chain members is utilised for any one or more work packages.

The machinery for Supply Chain Collaboration needs to be expressed in clear contractual processes which state:

(a) The dates, intervals or events which will trigger Supply Chain Collaboration;

(b) The steps to be taken by the Tier 1 Contractor to implement Supply Chain Collaboration, and the level of involvement by the Authority at each stage; and

(c) The timing of each of the activities comprising Supply Chain Collaboration.

3.2 Supply Chain Collaboration in stages

The stages of Supply Chain Collaboration are set out in detail in Section 5, and are summarised below:

- One or more Authorities identify one or more Tier 1 Contractors in relation to programmes of work that are compatible in terms of timing, scope and location;
- The Authority(ies) and Tier 1 Contractor(s), with consultant(s) as appropriate, agree to undertake Supply Chain Collaboration activities and check that the terms of their respective Frameworks or Long-term Contracts permit such activities;
- The Authority(ies) conduct workshops with a Tier 1 Contractor(s) and Consultant(s) to examine current relationships with Tier 2/3 Subcontractors and Suppliers, including their terms and duration, the scope and nature of each work/supply package, the current agreed costs, the added value currently provided
and whether the fees/profits/overheads paid to Tier 1 Contractors are or can be separately identified;

- These workshops and related due diligence robustly challenge current Tier 1 Contractor(s) practices and identify potential scope for improvements that should generate savings and improved value in specific work/supply packages - by way of additional and more consistent work awarded by the Authority(ies) and/or by Tier 1 Contractor(s), greater integration of Tier 1 Contractor(s) relationships with Tier 2/3 Subcontractors and Suppliers, sharing of information among Tier 1 Contractors, improved working arrangements and encouragement of innovation by all parties;

- The outputs of these workshops and related due diligence are recorded and agreed so as to establish a starting point for Supply Chain Collaboration, with agreed objectives in respect of the potential for savings and improved value;

- Where there are inconsistencies in specifications for work/supply packages used by different Authorities or different Tier 1 Contractors, these are reconciled wherever possible in order to establish a common basis for Supply Chain Collaboration;

- Where different Tier 2/3 Subcontractors and Suppliers are used by different Tier 1 Contractors, a common list is agreed of those Tier 2/3 Subcontractors and Suppliers that meet the needs of relevant Clients and Tier 1 Contractors in relation to work/supply packages forming part of their respective projects/programmes;

- Tier 2/3 Subcontractors and Suppliers are invited to attend one or more workshops at which the Authority(ies), Tier 1 Contractor(s) and consultant(s) explain the Supply Chain Collaboration process and the opportunities to which it gives rise, and at which Tier 2/3 Subcontractors and Suppliers are invited to offer their views and contributions;

- The Authority(ies) and Tier 1 Contractor(s) create and agree an Enquiry Document for issue in relation to each work/supply type to relevant Tier 2/3 Subcontractors and Suppliers describing new commitments in respect of:
  - Prospective common specifications;
  - Prospective increased duration of work/supply packages;
  - Prospective increased scope of work/supply packages;
  - Proposed incentives;
  - Expected savings;
  - Expected improved value.

- Tier 2/3 Subcontractors and Suppliers are invited to submit proposals for evaluation that form the basis for more detailed discussions led by the Tier 1 Contractor(s) with active support and participation by the Authority(ies);
Proposals received from selected Tier 2/3 Subcontractors and Suppliers, and agreed in subsequent detailed discussions, are included in new Supply Chain Agreements entered into by the Tier 1 Contractor(s) and each relevant Tier 2/3 Subcontractor and Supplier and approved by the Authority(ies), setting out the new mutual commitments that form the basis to capture agreed savings and improved value in each work/supply package.
4 Implementing Supply Chain Collaboration

4.1 When selecting a new Tier 1 Contractor

As part of the procurement of a Tier 1 Contractor under a Framework or Long-term Contract, Authorities are entitled to consider the technical ability of the interested organisations and the merits of their bids.

In the majority of contracts the technical ability of the applicants will be evaluated first in order to create a shortlist of organisations to invite to tender for the contract. At this initial short-listing stage, Authorities should not evaluate any proposals the interested organisations may make – the assessment should only look back at the organisation's experience and ability.

In order for the Authority to assess the organisations' technical ability in relation to Supply Chain Collaboration, interested organisations should be asked at prequalification stage to state their experience of Supply Chain Collaboration under previous contracts similar to the level required by the Authority. They should also set out a short method statement as to how they have achieved this on previous programmes, indicating what levels of improved value have been achieved.

The selection of the Tier 1 Contractor under a Framework or Long-term Contract for the purpose of incorporating quality requirements need to be decided on the basis of a series of criteria, not restricted to lowest price. Based on guidance provided by the Construction Industry Research and Information Association (Construction Industry Research and Information Association Report "Selecting Contractors by Value", 1998), appropriate criteria for selection of a Tier 1 Contractor can include:

(a) Technical knowledge and skills, including relevant design and specialist expertise and capacity;
(b) Management skills, including management of time, cost, value, quality, risk and health and safety;
(c) Internal organisation to establish clear communications, sound administration and empowered staff;
(d) Collaborative culture as a basis for successful team-working;
(e) Appropriate human resources available to the project;
(f) Supply chain management, with evidence of sound dealing with Tier2/3 Subcontractors and Suppliers through established relationships;
(g) Financial resources, including sound balance sheets and cashflows and reliable references;
(h) Generally, a sound, relevant and demonstrable track record.

Once the Authority has identified its shortlist, those organisations will receive the tender documents setting out the Authority's requirements. This will include the Authority's employment and skills outputs required under the Framework or Long-term Contract using
the CBA benchmarks set out in the Employment and Skills Strategy (see Section 6). Bidders should be required to commit to deliver those requirements and to state the cost of doing so. The bidders are entitled to propose more favourable outputs but Authorities are not permitted to give bidders extra marks for doing so (although those proposals can be included in the contract so as to be contractually binding). The tender documents should also make clear that the Tier 1 Contractor will be required to participate in Supply Chain Collaboration as set out in the Framework or Long-term Contract following a series of processes to investigate enhancements and possible added value such as local opportunities.

4.2 **Mini-competitions under a Framework**

Where the Authority decides to award a project under a Framework following a mini-competition, it is an opportunity for the Tier 1 Contractors to review their supply chains and assumptions in light of the project-specific information issued as part of the mini-competition tender documents.

As the Framework continues, Tier 1 Contractors will be better placed to identify priorities for the Authority and are increasingly likely to have stable relationships with the supply chain members, which can be exploited to achieve best value for the Authority.

4.3 **Early Supply Chain Collaboration**

In order to maximise the benefits available, the first Supply Chain Collaboration process under a Framework or Long-term Contract can be carried out immediately following Tier 1 Contractor selection or at any point during an existing contractual term.

During the life of a Framework or Long-term Contract, further Supply Chain Collaboration processes can be undertaken at regular intervals.

Supply Chain Collaboration requires a clear programme of agreed actions. Authorities should ensure that key milestones containing each of the relevant activities are contractually binding.

4.4 **Commitment to Tier 2/3 Subcontractors and Suppliers**

Authorities should encourage the Tier 1 Contractor to enter into longer-term Supply Chain Agreements with the members of the supply chain so as to encourage commitment by both parties to achieving the best possible supply chain arrangements. The more stable the relationship, the more likely it is that supply chain members will assist with developing and achieving employment and skills outputs. Authorities should encourage the parties to formalise their agreements by way of a Supply Chain Agreement. A template is provided in this Toolkit at Document N.

4.5 **Leadership and communication**

Successful Supply Chain Collaboration requires Authority leadership to ensure that each appointed Tier 1 Contractor follows the agreed processes and provides the information that the Authority needs. Communication between the Authority and the remainder of the team is extremely important, and can be facilitated by naming individuals with
responsibility to meet as a "core group" or equivalent to drive forward and support the Supply Chain Collaboration processes.

4.6 **Incentives**

The success of the Supply Chain Collaboration will depend on the motivation of all parties to achieve its objectives, namely improvements against the Tier 1 Contractor’s original tendered prices and proposals including refinement of the employment and skills commitments.

Commercial incentives for the Tier 1 Contractor to participate in Supply Chain Collaboration activities include:

(a) The ability to influence affordability, buildability and risk reduction;

(b) The potential to achieve improved profit or other payments if and to the extent that these are linked to achievement of savings, added value and enhanced/locally-focused employment and skills outputs which could, as a minimum, offset any additional costs;

(c) The ability to win additional work by extension of a Long-term Contract or further project awards under a Framework.

4.7 **Existing supply chain**

The Tier 1 Contractor will often have well-established relationships with Tier 2/3 Subcontractors and Suppliers that are part of its competitive offering and efficient operational procedures. Supply Chain Collaboration may be seen as a threat to these relationships and Tier 1 Contractors may argue that it will have an impact on their ability to meet their agreed obligations.

Authorities need to take these considerations seriously when structuring Supply Chain Collaboration with a Tier 1 Contractor and when assessing which aspect of its supply chain should be subject to review during the Supply Chain Collaboration processes. However, in all circumstances under Framework or Long-term Contract it is reasonable for an Authority to expect improvements so as to ensure that Tier 2/3 Subcontractors and Suppliers of the Tier 1 Contractor offer best value for money by way of lower costs, improved quality, extended warranties, improved sustainability and improved employment and skills commitments. For this purpose, an Authority may agree that the Tier 1 Contractor’s preferred supply chain can be the subject of a single source business case and then, if and to the extent that the Authority is not happy to approve it on a single source basis, the Authority can expect the relevant supply chain package to be market-tested by the tier 1 Contractor in accordance with this Toolkit.

4.8 **Volume and certainty of work**

Frameworks and Long-term Contracts generally describe a typical throughput of work per annum but with no guarantee that orders will be placed for the full extent of that anticipated throughput.

Nevertheless, the ordering process and the historical data that Authorities can provide as to their typical need for the relevant works/services/supplies should provide sufficient
confidence as to the likely volume of work for Tier 1 Contractors to commit themselves firstly to competitive proposals at the point of selection, and secondly to engagement in Supply Chain Collaboration in accordance with this Toolkit.

Frameworks may be awarded to a number of Tier 1 Contractors, and the award of specific projects is therefore subject not only to the uncertainty of the Authority's requirements but also to the uncertainty of whether the relevant Tier 1 Contractor will be successful in a mini-competition process. For this reason, it is important for Authorities to be as clear as possible as to the potential value of the works/services/supplies requirements comprising their programmes and not to award Frameworks to a disproportionately high number of Tier 1 Contractors. Where there is a reasonable prospect of work through the operation of Frameworks, Tier 1 Contractors will be more competitive in their bids and more active in their commitment to Supply Chain Collaboration, including savings and efficiencies and development of employment and skills commitments.

Authorities may clarify the working relationships between a number of contractors operating under equivalent Frameworks or Long-term Contracts by way of a multi-party "Alliance" that requires Tier 1 Contractors to work jointly so as to maximise the improvements in commitments from Tier2/3 Subcontractors and Suppliers. Subject to the terms of the Alliance, this approach may increase the potential work available to Tier 1 Contractors, by adjustment according to their capacity or performance. It may also increase the volume available to Tier2/3 Subcontractors and Suppliers by the various Tier 1 Contractors together running joint Supply Chain Collaboration with the prospect of more work on offer to the successful supply chain bidders.
5 Supply Chain Collaboration Step by Step

This section of the Toolkit sets out the processes of Supply Chain Collaboration step by step for an Authority working with one or more Tier 1 Contractors and/or a Direct Labour Organisation. The step by step guidance is expressed in Flowchart 2 (Supply Chain Collaboration with Tier 1 Contractors) and Flowchart 3 (Supply Chain Collaboration with Direct Labour Organisations), each of which cross-refers to a detailed narrative which in turn cross-refers to template documents for each stage of the Supply Chain Collaboration processes.
Flowchart 2 - Supply Chain Collaboration with Tier 1 Contractors

1. Determine the Authorities that will work together in the exercise (Refer to Stage 1)

2. Workshop among Authority participants to understand the processes and opportunities available in respect of Supply Chain Collaboration. Determine the focus of enquiries (Refer to Stage 2)

3. Determine the Tier 1 Contractor that are engaged by each Authority to carry out highways maintenance work and the terms of their contracts (Refer to Stage 3)

4. Workshop among Authority participants and Tier 1 Contractors to explain the processes and opportunities available in respect of Supply Chain Collaboration. Invite proposals from Tier 1 Contractors and secure details of existing supply chain members and prices/terms (Refer to Stage 4)

5. Evaluate Tier 1 Contractor proposals and analyse the supply chain for commonality and potential savings (Refer to Stage 5)

6. Agree standardised specifications for relevant materials/works among Authorities and Tier 1 Contractors (Refer to Stage 6)

7. Workshop among Authority participants, Tier 1 Contractors and the supply chain to explain the processes and opportunities available in respect of Supply Chain Collaboration. (Refer to Stage 7)

8. Distribute an Enquiry Document to the supply chain inviting formal proposals (Refer to Stage 8)

9. Authorities and Tier 1 Contractors evaluate initial proposals and invite successful supply chain members to interview (Refer to Stage 9)

10. Conduct interviews with selected supply chain members to finalise bids (Refer to Stage 10)

11. Select final supply chain and enter into Supply Chain Agreements (Refer to Stage 11)

12. Regular performance review (Refer to Stage 12)
Flowchart 3 - Supply Chain Collaboration with Direct Labour Organisations

1. Determine the Authorities that will work together in the exercise (Refer to Stage 1)

2. Workshop among Authority participants to understand the processes and opportunities available in respect of Supply Chain Collaboration. Determine the focus of enquiries (Refer to Stage 2)

3. Analyse the supply chain for commonality and potential savings (Refer to Stage 5)

4. Agree standardised specifications for relevant materials/works among authorities (Refer to Stage 6)

5. Workshop among authority participants and the supply chain to explain the processes and opportunities available in respect of Supply Chain Collaboration (Refer to Stage 7)

6. Distribute an Enquiry Document to the supply chain inviting formal proposals (Refer to Stage 8)

7. Authorities evaluate initial proposals and invite successful supply chain members to interview (Refer to Stage 9)

8. Conduct interviews with selected supply chain members to finalise bids (Refer to Stage 10)

9. Select final supply chain and enter into Supply Chain Agreements (Refer to Stage 11)

10. Regular performance review (Refer to Stage 12)
5.1 **Stage 1 - Which Authorities?**

HMEP has produced separate guidance setting out in detail how Authorities can work together collaboratively to secure the efficient delivery of highways maintenance services. Authorities should follow that guidance when determining the group to work together in respect of Supply Chain Collaboration.

It is important that all Authorities have consistent objectives and are each prepared to commit members of their internal highways team to progress collaborative initiatives. An open-minded approach and a commitment to change are also key features for each member of the group.

It is also helpful for the highways to have relative geographical proximity as the greatest efficiency can be secured through ordering higher volumes of work in accordance with a more coordinated programme.

There should be a lead Authority that takes responsibility for co-ordinating all activities and delegating appropriate tasks to other members of the group. An active lead Authority is vital to the success of a coordinated Supply Chain Collaboration exercise.

**Document A** in the Appendices is a guidance note on Supply Chain Collaboration that may be distributed before initial meetings of the authorities.

5.2 **Stage 2 – Authority workshop**

The Authorities should each send senior representatives to a workshop to discuss their respective objectives, as well as the processes and timetable for achieving those objectives. Those representatives should be fully briefed on the collective aims of the Supply Chain Collaboration exercise and should be those that will take personal responsibility for its delivery.

The representatives should have a working knowledge of this Toolkit and should have read the briefing note on Supply Chain Collaboration.

The meeting should be chaired by a representative of the lead Authority.

**Document B** in the Appendices sets out a template invitation for the Authority workshop.

The workshop is intended to provide a forum to robustly challenge current practices, identify changes that can be made and agree how change can be facilitated. Authorities should arrive at the workshop prepared to discuss their ideas and set out proposals for how a Supply Chain Collaboration exercise may benefit them and the others in the group. There should be a focus on innovation and a willingness to move away from "business as usual".

**Document C** in the Appendices sets out a template agenda for the Authority workshop.

Following conclusion of the Authority workshop, the Authorities should have reached agreement on the services, supplies, materials or works that will be the subject of a Supply Chain Collaboration exercise and have an indicative programme for running the exercise (which should take no longer than four months). This will require that the Authorities have
a clear understanding of their supply chain so that they can each analyse where inefficiencies may occur or where savings could be found through collaborative working.

5.3 **Stage 3 – Analysing Tier 1 Contractor(s)**

As the supply chain is managed and contracted by Tier 1 Contractors, it is important that the Tier 1 Contractors engaged by each Authority administer the Supply Chain Collaboration exercise. Not only does this allow the Authorities to benefit from the supply chain management expertise of the Tier 1 Contractors, but it also means that there is no requirement to run additional procurement exercises to achieve compliance with the Public Contracts Regulations 2006 (as amended).

Each participating Authority should provide full details of its highways maintenance contractor(s) to the lead Authority along with a copy of the relevant contracts for analysis. This will enable the lead Authority to identify where Authorities are using the same Tier 1 Contractors, which will assist (but is not essential to) the delivery of a Supply Chain Collaboration exercise.

The relevant contracts should also be reviewed for relevant provisions. This review should focus on agreed processes for supply chain review, incentive mechanisms for delivery of savings, treatment of profit and overheads and remaining contractual terms. This will allow the Authorities to approach their Tier 1 Contractors with a full understanding of the existing rights and obligations of those Tier 1 Contractors in respect of Supply Chain Collaboration and the delivery of savings.

5.4 **Stage 4 – Tier 1 Contractor(s) workshop**

Just as it is important for Authorities to work together collaboratively it is vital for Tier 1 Contractors to work collaboratively with the Authorities and the other Tier 1 Contractors. A Supply Chain Collaboration exercise can only be successful if it has the full backing of all levels of the supply chain, including the Tier 1 Contractors.

**Document D** in the Appendices sets out a template invitation for a Tier 1 Contractor workshop.

**Document E** in the Appendices sets out a template briefing note for the Tier 1 Contractor workshop.

The Tier 1 Contractors need to understand how the Supply Chain Collaboration processes are intended to work, what expectations the Authorities have and the timescales for delivery. They should also be given the opportunity to raise concerns, put forward innovative ideas and be aware that the process is only intended to reduce underlying costs rather than detrimentally affect their profit levels or ability to recover overheads.

**Document F** in the Appendices sets out a template agenda for the Tier 1 Contractor workshop.

Tier 1 Contractors should be invited to put forward their own proposals on how a successful Supply Chain Collaboration exercise may be run. Tier 1 Contractors should also submit details of their current supply chain for the relevant services, works, materials or supplies including details of terms and conditions and prices. This will enable the
5.5 Stage 5 – Supply Chain Information

5.5.1 With Tier 1 Contractors

The lead Authority will review the proposals made by the Tier 1 Contractors and circulate recommendations to the wider group for discussion. This process will enable the Authorities to refine their proposals for Supply Chain Collaboration as well as test the commitment of each Tier 1 Contractor to the process.

At this stage the Authorities should also agree a lead Tier 1 Contractor that will be responsible for leading discussions with the supply chain and administering the process on behalf of other Tier 1 Contractors. The selected Tier 1 Contractor must demonstrate a clear understanding of what is required, demonstrate enthusiasm for the process and have awareness of the benefits of the process for the Authorities, the Tier 1 Contractors and the supply chain.

The Authorities should also delegate the analysis of supply chain information to a specific Authority, or agree that the lead Authority will also run this process. Collecting and understanding data from the existing supply chain is critical to success. It will allow the Authorities to analyse where savings may be made and develop questions to ask to the Tier 1 Contractors and the supply chain to understand the reasons for apparent discrepancies.

There are a wide range of reasons why similar materials or services may have different prices, including delivery range, pricing of bitumen and indexation and inclusivity of rates (traffic management, delivery, supply and lay etc.). The Authorities need to understand these reasons as fully as possible so that they are accounted for in the analysis of the data and the further objectives for Supply Chain Collaboration. The Tier 1 Contractor responses should give some valuable insights in this respect.

Commonality within the supply chain is useful to flag, as aggregated orders to those Tier 2/3 Subcontractors or Suppliers with a clearer programme of work may represent a simple way for Authorities to secure efficiencies. Authorities will also have a clearer understanding of those supply chain members that will contribute most to collaborative working.

5.5.2 With Direct Labour Organisations

The Authorities should delegate the analysis of supply chain information to a specific Authority, or agree that the lead Authority will run this process. Collecting and understanding data from the existing supply chain is critical to success. This will allow the Authorities to analyse where savings may be made and develop questions to ask to the supply chain to understand the reasons for apparent discrepancies.

There are a wide range of reasons why similar materials or services may have different prices including delivery range, pricing of bitumen and indexation and inclusivity of rates (traffic management, delivery, supply and lay etc.). The Authorities need to understand
these reasons as fully as possible so that they are accounted for in the analysis of the data and the further objectives for Supply Chain Collaboration.

Commonality within the supply chain is useful to flag, as aggregated orders to those Tier 2/3 Subcontractors and Suppliers with a clearer programme of work may represent a simple way for Authorities to secure efficiencies. Authorities will also have a clearer understanding of the supply chain members that will contribute most to collaborative working. Due to restrictions imposed by the Public Contracts Regulations 2006 (as amended), authorities using only Direct Labour Organisations can only renegotiate with the existing supply chain that has been procured in compliance with the recommendations unless additional procurements in accordance with the Regulations are envisaged.

5.6 Stage 6 – Specifications workshop

Following confirmation of the scope of the Supply Chain Collaboration exercise, the Authorities will be in a position to agree standard specifications for the services, works, materials or supplies that are to be subject to the exercise. Feedback from pilot exercises has confirmed that standardisation of specifications is one of the biggest drivers for the supply chain to deliver savings. A reduced list of specifications should also enable Authorities to order greater quantities of the services or products that remain on the list, thereby helping to secure greater economies of scale.

Document G in the Appendices sets out a template invitation for this Specifications workshop.

The lead Authority (or another delegated Authority) should nominate a senior engineer to lead discussions of the highways engineers of each Authority.

Where the Authorities have engaged Tier 1 Contractors, they may choose to involve Tier 1 Contractors at the initial specification meeting or they may seek to refine specifications at a separate meeting involving the Tier 1 Contractors.

Document H in the Appendices sets out a template agenda for the Specifications workshop.

The agreed specifications can be further refined taking into account the views of the wider supply chain at a subsequent stage of the process.

5.7 Stage 7 – Supply chain workshop

Like all other stakeholders in the process, members of the supply chain need to be briefed fully on the reasons for the exercise and the objectives of the Authorities. This is also a good opportunity for the Authorities to emphasise that efficiency is to be secured by offering more favourable conditions to the supply chain (such as higher volume orders or longer terms programmes) rather than simply trying to discount their rates.

Document I in the Appendices sets out a template invitation for a supply chain workshop.

Document J in the Appendices sets out a template briefing note for the supply chain workshop.
The workshop should be led by the lead Tier 1 Contractor (where Tier 1 Contractors have been engaged) or the Lead Authority (where Direct Labour Organisations have been engaged). In either case the leader should present a spirit of collaborative working and emphasise the opportunities to work more closely with the Authorities.

The supply chain should be given the opportunity to emphasise their proposals for innovation (either at the workshop or subsequently if there are concerns regarding commercial confidentiality.)

Document K in the Appendices sets out a template agenda for the supply chain workshop.

5.8 Stage 8 – Enquiry Document

5.8.1 With Tier 1 Contractors

The lead Tier 1 Contractor will commence the formalities of the supply chain enquiry by sending an Enquiry Document to the relevant supply chain members. This document should set out clearly what is required of the supply chain, as well as establishing the objectives of the Authorities and the Tier 1 Contractors. The Enquiry Document is sent on behalf of all participating contractors.

Document L in the Appendices sets out a template Enquiry Document.

The Tier 1 Contractors and Authorities can agree a method of evaluation that best suits their needs. This should balance price and quality to account for issues such as improved quality, extended warranties, improved sustainability and additional employment and skills commitments. Although consistency in evaluation is helpful, different Tier 1 Contractors and Authorities may wish to evaluate in different ways. This can be achieved in varied evaluation criteria as long as the Enquiry Document sets out the relevant differences, but Authorities should note that such variations add expense and complexity to the process.

Responses should be invited in a specified form to ensure easy evaluation, and a clear deadline should be fixed.

5.8.2 With Direct Labour Organisations

The lead Authority may commence the formalities of the supply chain enquiry by sending an Enquiry Document to the relevant supply chain members. This document should set out clearly what is required of the supply chain, as well as establishing the objectives of the Authorities. Alternatively, the Authorities may consider that they have sufficiently established relationships with their supply chain that they can move directly to interviews and negotiation.

Document L in the Appendices sets out a template Enquiry Document. This will need amendment to be used by Authorities with Direct Labour Organisations.

The Authorities can agree a method of evaluation that best suits their needs. This should balance price and quality to account for issues such as improved quality, extended warranties, improved sustainability and additional employment and skills commitments. Although consistency in evaluation is helpful, different Authorities may wish to evaluate in different ways. Although consistency in evaluation is helpful, different Tier 1 Contractors
and Authorities may wish to evaluate in different ways. This can be achieved in varied evaluation criteria as long as the Enquiry Document sets out the relevant differences, but Authorities should note that such variations add expense and complexity to the process.

5.9 Stage 9 – Evaluation

The Authorities and (where Tier 1 Contractors have been engaged) the Tier 1 Contractors should work together to evaluate the initial responses based on the criteria identified in the Enquiry Document. Initial evaluation should focus on each supply chain member's understanding of the processes and objectives, its capacity to deliver what is required and quality of its response and prices.

Successful supply chain members should be invited to interviews and discussions so that their proposals can be evaluated and developed further (see Stage 10) unless Authorities (and their Tier 1 Contractors) determine that responses enable immediate awards (see Stage 11).

5.10 Stage 10 – Interviews and discussions

Face-to-face dialogue with each supply chain member on an individual basis can assist all parties to understand each other's objectives. Interviews and discussions may also provide an opportunity to further negotiate on specific issues or attempt to understand how better offers could be made if the Authorities were to make different arrangements.

*Document M* in the Appendices sets out a template agenda for interviews and discussions.

Interviews and discussions should be commercially confidential to ensure that the supply chain members are comfortable in discussing their innovative proposals and giving detailed information on the basis of their prices.

5.11 Stage 11 – Supply Chain Agreements

5.11.1 With Tier 1 Contractors

Following conclusion of evaluation, the Tier 1 Contractors will be in a position to award contracts to the successful supply chain members. Although many of them will have existing contractual relationships, it is important that there is a consistency in the contractual approach and that all the principles central to the Supply Chain Collaboration process are documented. The Tier 1 Contractors should therefore enter into Supply Chain Agreements to supplement existing contractual relationships.

*Document N* in the Appendices sets out a template Supply Chain Agreement.

Authorities should also review the order process under each Framework or Long-term Contract with a Tier 1 Contractor to determine if any changes need to be made to the relevant contractual processes to enable supply chain objectives to be met.

5.11.2 With Direct Labour Organisations

Following conclusion of evaluation, the Authorities will be in a position to finalise renegotiated terms with the successful supply chain members. It is important that there is
a consistency in contractual approach and that all the principles central to the Supply Chain Collaboration process are documented. The Authorities should therefore enter into Supply Chain Agreements to supplement existing contractual relationships.

**Document N** in the Appendices sets out a template Supply Chain Agreement. This will need to be amended to reflect a direct engagement by the Authorities.

### 5.12 Stage 12 – Performance

The Supply Chain Collaboration exercise should be used as a basis to secure continuous improvement throughout the supply chain. Authorities and (where relevant) Tier 1 Contractors should regularly review the supply chain members and their performance to determine if agreed objectives are being met.

Mobilisation should be reviewed to ensure that works/services/supplies are being delivered as agreed and representatives of the Authorities, Tier 1 Contractors (where relevant) and supply chain should meet regularly (ideally at least quarterly) to review progress against objectives.

The Supply Chain Agreement should contain appropriate mechanisms to review performance and to offer sufficient incentives to ensure that agreed objectives are met.
Supply Chain Collaboration and Employment and Skills

This section of the Toolkit is a guide for Authorities who wish to incorporate employment and skills requirements into existing Frameworks and Long-term Contracts. The processes may be considered as part of a wider Supply Chain Collaboration exercise.

This section and certain of the annexed documents are drawn directly from the CITB "Client-Based Approach to developing and implementing an Employment and Skills Strategy on construction projects". This Toolkit is consistent with the principles and processes set out in the CITB-Client Based Approach.
Supply Chain Collaboration and Employment and skills

Flowchart 4

Ensure Authority commitment at every level to the engagement with Tier 1 Contractors and enhancement of employment and skills opportunities in existing Frameworks and Long-term Contracts (Refer to Stage 1)

Analyse current Frameworks and Long-term Contracts to identify existing obligations and procedures, and determine the scope for improvement (Refer to Stage 2)

Authority workshop to identify the outputs proportionate to the type and value of the contract and to develop an Employment and Skills Strategy (Refer to Stage 3)

Workshop with Tier 1 Contractor(s) to explain the procedures, documents and timetables and to seek voluntary commitment to achieving the Authority aims (Refer to Stage 4)

Development by the Tier 1 Contractor of the Employment and Skills Plan and Method Statement (Refer to Stage 5)

Submission by the Tier 1 Contractor of business case justifying the choice of supply chain for the Authority approval (Refer to Stage 6)

Agree variations to existing Frameworks and Long-term Contracts, including Tier 1 Contractor obligations, performance monitoring, KPIs, incentives and variation procedures (Refer to Stage 7)
In the event that a number of Authorities are jointly carrying out a Supply Chain Collaboration exercise, it will be possible to benchmark the employment and skills commitments across all the contracts and for other Authorities' requirements to be taken into account when establishing appropriate targets for a Tier 1 Contractor.

6.1 Stage 1 – Authority commitment

It is important that the Authority has an open-minded approach and is committed at all levels to engaging with the Tier 1 Contractor and its supply chain in order to enhance local opportunities.

Once the Authority has a firm commitment to achieving employment and skills opportunities, it needs to have a clear understanding of its priorities and how they will be achieved by the Tier 1 Contractor and its Tier 2/3 Subcontractors and Suppliers.

The benchmarked outputs contained in Document O are set according to contract type and value and are therefore proportionate to what the industry would expect to support with minimal cost. Targets have been set across fourteen employment and skills areas, ranging from training to apprentices and from work placements to jobs created.

Document P defines the employment and skills areas in further detail.

The use of the benchmarks enables the Authority to state confidently its requirements in the knowledge that they have been proven by the industry to be achievable. The ultimate aim is for the benchmarks, processes and timetables to be incorporated into the existing maintenance contracts by way of variation.

Document Q is a briefing note for use by the Authority, which explains the procedure for engagement with the Tier 1 Contractor and incorporation of employment and skills requirements.

6.2 Stage 2 – Existing contracts

The Authority should review its existing Frameworks and Long-term Contracts for scope to enhance employment and skills requirements, with a focus on community benefits, continuous improvement and performance monitoring provisions. This will enable the Authority to approach the Tier 1 Contractor with a full understanding of what needs to be changed in order to meet its priorities and secure a commitment to the benchmarked outputs.

Existing Frameworks and Long-term Contracts may already include community benefits commitments and procedures. These procedures may be utilised to enhance existing commitments in line with the benchmarked outputs.

Alternatively, the Frameworks and Long-term Contracts may not contain any employment and skills outputs or procedures at all and so the Authority will need to open dialogue with the relevant Tier 1 Contractor(s) on a voluntary basis.

The procedures described in the next stages are predicated on the basis that the Authority requires the Tier 1 Contractor to commit to a minimum level of employment and skills benchmarks and that the Tier 1 Contractor creates an Employment and Skills Plan and Method Statement which are contractually binding.
6.3 **Stage 3 – Authority workshop**

Once the Authority has clearly identified which Frameworks and Long-term Contracts have capacity for improvement and whether or not they contain procedures for doing so, it will need to consider the extent to which the benchmarked outputs in Document O are required to either enhance existing obligations or to establish new obligations.

A workshop should be held with all interested parties within the Authority in order to create an Employment and Skills Strategy for each Framework or Long-term Contract. The following issues will need to be discussed and set out with in the Employment and Skills Strategy:

- A high level statement of the Authority's aims and priorities;
- Identification of who within the Authority will be the main point of contact;
- Which set of the benchmarked outputs are suitable to the value of the contract, in consideration of the remaining contract value (see below in relation to the Employment and Skills Plan);
- Which of the fourteen employment and skills areas the Tier 1 Contractor will commit to (see below in relation to the Employment and Skills Plan);
- An overview of the process for dialogue with the Tier 1 Contractor and its Tier 2/3 Subcontractors and Suppliers in order to reach the agreed outputs and contractual provisions;
- Whether the Authority has any connections with training providers, educational establishments and employment agencies, which it would prefer (but not insist) that the Tier 1 Contractor works with;
- Whether the performance of the outputs is to be monitored over the term of the contract in line with existing KPIs or entirely new procedures;
- Whether achievement of the outputs will be linked to financial incentives; and
- Timescales for reaching agreement and varying existing contracts.

The Authority will be able to identify which set of benchmarks are proportionate to the value of a Framework or Long-term Contract by checking the table in Document O to see within which value band the remaining contract value falls. The figures in the appropriate column should then be lifted by the Authority and placed into the "Summary" column of the template Employment and Skills Plan. These will then become the outputs which the Tier 1 Contractor is to achieve over the contract duration.

Document R sets out a template Authority workshop agenda.

Document O sets out a table of benchmarked outputs.

Document P sets out details of the fourteen employment and skills areas.

Document S sets out a template Employment and Skills Plan.
6.4 **Stage 4 – Contractor workshop**

As the day to day implementation of the employment and skills commitments will be managed by the Tier 1 Contractor, it is important that these requirements embrace the Authority's aims and follow a clearly timetabled procedure. The Authority will need to create an environment of co-operation in order to encourage the Tier 1 Contractor to engage with the proposals and contribute its expertise in relation to employment and skills.

**Document Q** is an example briefing note which can be given to the Tier 1 Contractor prior to a workshop.

**Document T** sets out a template agenda for the Tier 1 Contractor workshop.

Depending on the extent to which the Tier 1 Contractor is participating voluntarily beyond its contractual commitments, the benchmarked outputs should be presented as a minimum requirement of the Authority. It should be emphasised that the benchmarked outputs are approved by industry as being proportionate to the type and value of the works without the need to incur significant additional costs.

The Tier 1 Contractor should identify which of its Tier 2/3 Subcontractors and Suppliers will be able support and accommodate achievement of the outputs. It may be that the Contractor already has a sophisticated process for employment and skills and so should propose any innovations or suggested procedures which may be beneficial.

At the procurement stage, the EU Regulations prevent an Authority from selecting a Tier 1 Contractor on the basis that it promises to hire local people or support local businesses. However, after contract award, the Authority can use dialogue with the Tier 1 Contractor to influence its choice of training providers, educational establishments and employment agencies, so as to focus the opportunities created on the local area of the Framework or Long-term Contract. In many cases, the Tier 1 Contractor will expect to draw apprentices/trainees from the surrounding area in order to minimise travel time and improve efficiency.

6.5 **Stage 5 – Employment and Skills Plan**

Following the Tier 1 Contractor workshop under 6.4 above the Tier 1 Contractor should be given time to consider the Authority's requirements contained in the Employment and Skills Strategy.

In order to demonstrate to the Authority how the outputs will be achieved, the Tier 1 Contractor will fill in the remaining columns of the template Employment and Skills Plan provided by the Authority. This will make it clear how the Tier 1 Contractor will implement the Authority's requirements on a monthly basis in order to achieve the Authority's total figures contained in the "Summary" column. This also allows achievement to be tied into the monitoring of performance and/or KPIs.

The Tier 1 Contractor should also create a Method Statement setting out how each of the monthly targets will be implemented in practice on site. The Method Statement should clarify:
• who in the organisation will be responsible for managing the employment and skills development and overseeing progress;

• which education and training providers will be involved with the delivery of the Employment and Skills Plan;

• what types of accredited and non-accredited training are expected to be offered and who are expected to be the main beneficiaries of this training;

• which trades or occupational areas is it envisaged will be offering apprenticeship opportunities;

• what types of apprenticeship are expected to be offered (i.e. traditional, programme-led, advanced);

• how the monthly outputs set out in the Employment and Skills Plan will be delivered;

• what actions will be taken to ensure the support of local Tier 2/3 Subcontractors and Suppliers engaged in relation to employment and skills relating to particular work/supply packages;

• how compliance will be managed and monitored with respect to the organising Tier 2/3 Subcontractors and Suppliers;

• the availability of grant funding or support; and

• any requirements for on-site training facilities and/or a dedicated skills co-ordinator.

Where possible, the Tier 1 Contractor should liaise directly with its key supply chain members and analyse its sub-contracts to establish where there may be scope for Tier 2/3 Subcontractors and Suppliers to contribute to the Tier 1 Contractor's achievement of the outputs.

The Tier 1 Contractor should be asked to incorporate into its Method Statement any innovative ideas that may benefit the Authority. It is intended that the Authority's Employment and Skills Strategy, and the Tier 1 Contractor's Employment and Skills Plan and Method Statement become contractually binding documents.

6.6 Stage 6 – Tier 1 Contractor Business Case

When the Tier 1 Contractor has identified the supply chain members with which it could share certain employment and skills outputs, it should prepare and submit to the Authority a business case, justifying the basis on which they have been selected, including their own proposals and their own links to training providers and educational establishments.

If the Authority is not convinced that the Tier 1 Contractor's proposed supply chain represents best value or will be able to support the its employment and skills requirements, it may request that the Tier 1 Contractor carries out a market testing exercise upon the following agreed terms:
• An agreed list of Tier2/3 Subcontractors and Suppliers;

• Seeking back to back contractual arrangements to ensure consistency;

• Identification of appropriate local labour sources and educational facilities which could offer enhanced commitments; and

• Evaluation by the Tier 1 Contractor of tender returns subject to monitoring by the Authority.

The Authority should not unilaterally nominate any of the Tier 2/3 Subcontractors and Suppliers that the Tier 1 Contractor is to use, as the Tier 1 Contractor may not be willing to be liable for the work of those parties and the Authority may breach the EU Regulations where the supply chain members have not been procured subject to a compliant EU procurement process.

6.7 Stage 7 – Conclusion

Once the Authority, Tier 1 Contractor and relevant Tier 2/3 Subcontractors and Suppliers are clear as to what is achievable and how performance will be monitored and incentivised, both the Framework or Long-term Contract and the relevant subcontracts will need to be varied in order to reflect the agreed position and to incorporate the Employment and Skills Strategy, Employment and Skills Plan, and Method Statement.

There may also be a need to clarify timetabled reporting requirements and clarify how achievement of the employment and skills outputs feed into agreed KPIs. The Authority may also wish to link employment and skills targets to existing incentives or to create new incentive packages.

Due to the proportionate nature of the employment and skills benchmarks, there should be minimal non-productive costs, if any, for the Tier 1 Contractor and its supply chain in the engagement of trainees, apprentices and employees. There may also be industry grant funding available to support wages costs, which in any event, should be offset against productivity. Costs may however be incurred in the facilitation of the opportunities and, where the scale of the Framework and Long-term Contract is sufficient, this may include a dedicated skills co-ordinator or on-site classrooms.

It may be the case that over the course of a Framework or Long-term Contract, the Authority's requirements or circumstances change and that this gives rise to an increase or decrease in the contract value. Where a substantially increased or decreased contract value impacts on the number of personnel on site and/or the Tier 1 Contractor's achievement of the employment and skills outputs, the Authority and the Tier 1 Contractor may wish to discuss and agree proportionate amendments to the Employment and Skills Plan and Method Statement.

Revised Authority expectations may also be reasonable in circumstances where:

• The Tier 1 Contractor becomes more familiar with the Authority's requirements, ways of working and objectives; or
• The Tier 1 Contractor is receiving more work through a Long-term Contract or Framework than was originally anticipated.
Appendices

Document A – Guidance Note on Supply Chain Collaboration
Document B – Template Invitation to Local Authority Supply Chain Collaboration Workshop
Document C – Template Agenda for Local Authority Supply Chain Collaboration Workshop
Document D – Template Invitation to Tier 1 Contractor Supply Chain Collaboration Workshop
Document E – Briefing Note for Tier 1 Contractor Supply Chain Collaboration Workshop
Document F – Template Agenda for Tier 1 Contractor Supply Chain Collaboration Workshop
Document G – Template Invitation to Specifications Workshop
Document H – Template Agenda for Specifications Workshop
Document I – Template Invitation to Supply Chain Workshop
Document J – Briefing Note for Supply Chain Workshop
Document K – Template Agenda for Supply Chain Workshop
Document L – Template Supply Chain Enquiry Document
Document M – Template Agenda for Supply Chain interviews and Discussion
Document N – Template Supply Chain Agreement
Document O – Employment and Skills Benchmarks
Document P – Employment and Skills Areas
Document Q – Briefing Note for Employment and Skills Tier 1 Contractor Workshop
Document R – Template Agenda for Employment and Skills Strategy Workshop
Document S – Template Employment and Skills Plan
Document T – Template Agenda for Employment and Skills Tier 1 Contractor Workshop
Document A – Guidance Note on Supply Chain Collaboration

Supply Chain Collaboration and Employment and Skills - Outline Process and Frequently Asked Questions

1 Outline process

Part of the work under the Department for Transport's Highways Maintenance Efficiency Programme (HMEP) involves analysing ways to achieve savings and other benefits under improved Supply Chain Collaboration and ways to improve contractors' and suppliers' commitments in respect of improved value including cost-savings, improved quality, extended warranties, improved sustainability and improved employment and skills commitments.

A key starting point for this work will be to understand existing contractual arrangements and to suggest systems by which current contracts can be "re-engineered" to obtain benefits for Authority clients (and, where appropriate) their Direct Labour Organisations without the need for re-procurement. For example, under many Frameworks and Long-term Contracts there are provisions built into the Invitation to Tender or Brief or Contract Conditions governing improvement targets, Authority rights in relation to subcontract and supply awards, processes for value engineering and Authority break clauses/extension rights dependent on performance.

The ways in which any of these provisions could be used as a jumping off point for working with appointed Tier 1 Contractors needs to be mapped out to secure, for example:

- Review of the Tier 2/3 Subcontractors and Suppliers used by Tier 1 Contractors (or Direct Labour Organisations);
- Comparison of those Tier 2/3 Subcontractors and Suppliers (and their prices/added value) with equivalent Tier 2/3 Subcontractors and Suppliers of other Direct Labour Organisations or Tier 1 Contractors engaged by the same/other Authorities;
- Review of whether the duration and scope of Tier 2/3 Subcontractors and Suppliers contracts and supply agreements have been fully exploited as a means to obtain best value;
- Review of whether local or regional subcontract or supply arrangements could offer improved prices or improved proposals;
- Engagement through Tier 1 Contractors or Direct Labour Organisations as to the potential for them to renegotiate and/or retender current subcontract and supply arrangements (whether alone or jointly with other Direct Labour Organisations or Tier 1 Contractors) to achieve the desired improved outcomes; and
- Facilitated conclusion of new subcontract/supply arrangements that bring benefits to Authorities as to cost, efficiency and local community benefits.

The potential for these initiatives will depend on many varying local circumstances and will also require careful implementation so as to:
• Operate within the terms of the current contracts;

• Avoid any breach of EU procurement regulations or standing orders or other local government obligations;

• Motivate Tier 1 Contractors, Tier2/3 Subcontractors and Suppliers to cooperate in these initiatives; and

• Follow through the initiatives to successful conclusion.

2 Frequently asked questions

2.1 What are the objectives?

• Better Authority understanding of supply chain and transparent relationships between clients, Tier 1 Contractors and Tier 2/3 Subcontractors and Suppliers.

• Innovation driven at all levels of the supply chain for Authorities to achieve savings, improved efficiency and reduced waste.

• Increased opportunities for Tier 2/3 Subcontractors and Suppliers, for longer duration contracts and with wider group of clients.

• Enhanced delivery of employment and skills benefits for all parts of the industry.

2.2 What about current supply contracts and subcontracts?

• There is a need to analyse costs and added value under current Tier 2/3 contracts and supply agreements.

• There is the potential if necessary to replace current Tier 2/3 subcontracts and supply agreements (in accordance with their terms) under new joint arrangements.

2.3 What will be the outcome of the Supply Chain Collaboration exercise?

• For successful Tier 2/3 Subcontractors and Suppliers, the outcome will be new Supply Chain Agreements with Tier 1 Contractor(s).

• New agreements will be monitored by Authority(ies).

2.4 Is this nomination?

• The Authority(ies) will not be nominating Tier 2/3 Subcontractors and Suppliers.

• Process will be run by Tier 1 Contractors and monitored by Authority(ies) to achieve mutually acceptable appointments of Tier 2/3 Subcontractors and Suppliers under Supply Chain Agreements describing larger scale, longer term joint arrangements.
2.5 What is each Authority’s role?

- Setting up the process including provision of Enquiry Document and new form of Supply Chain Agreement.
- Facilitating implementation of the Supply Chain Collaboration and employment and skills intervention processes through to conclusion.
- Monitoring implementation of the new Supply Chain Agreements.

2.6 How will Tier2/3 Subcontractors and Suppliers be paid?

- Consistent payment terms under Supply Chain Agreements.
- Complemented by normal Tier2/3 Subcontractor and Supplier terms (where not in contravention of Supply Chain Agreements).

2.7 How will you deal with variables between the way that work is ordered by different Authorities?

- Basics will be established in a common specification agreed by Authorities.
- Variables in orders will be picked up when orders are issued by reference to common specifications.
- The purpose of the exercise is to establish common ground, not to eliminate scope for differing requirements.
Document B – Template invitation to Authority Supply Chain Collaboration Workshop

Re: Invitation to attend initial supply chain workshop

Attachments: Guidance note (Document A) and Agenda (Document C)

Dear [              ]

As you may be aware [Authority], [Authority] and [Authority] are working together to determine ways in which their respective highways maintenance services can be delivered more efficiently. These Authorities are proposing to use the Local Highway Authorities Supply Chain Collaboration Toolkit published by the Department for Transport's Highways Maintenance Efficiency Programme to determine if efficiency can be delivered through second and third tier supply chain engagement.

Please find enclosed a guidance note setting out some of the principles of the proposed exercise. In addition it will also be beneficial to read the Toolkit published by HMEP so that you have a clear idea of what is proposed.

The HMEP recommended models are intended to enable Authorities to “re-engineer” existing contractual arrangements by working with current Tier 1 Contractors to review:

- Current subcontracts and supply arrangements;
- The potential for different Authorities and different Tier 1 Contractors to improve value and commitments under those subcontracts and supply agreements through renegotiation and controlled second/third tier retendering; and
- The improved opportunities available to Tier 2/3 Subcontractors and Suppliers under coordinated arrangements put in place by Tier 1 Contractors.

These exercises do not require or depend upon re-procurement of the contracts awarded by the Authorities.

The proper exploration of this initiative involves detailed review of current contractual terms, compliance with EU Procurement Regulations and a proper examination of the extent of the potential for the Authorities to re-engineer their supply chains.

We therefore invite you to attend a meeting at [time] on [date] at [location] to discuss the proposals and determine the next steps that the Authorities must take to advance this process. An agenda for the meeting is attached.

We will depend on all Authorities to cooperate in the data gathering process in order to give a clear picture of the current status of each Authority’s highways maintenance service. This will also require the transparent disclosure of information by Tier 1 Contractors, and your commitment to help secure this information will be vital.

It is hoped that this exercise will generate significant opportunities for Authorities within their current contracts to obtain the significant savings, improvements, efficiencies and enhanced employment and skills commitments from their Tier 1 Contractors and their appointed Tier 2/3 Subcontractors and Suppliers, with appropriate comparable arrangements for strategic partnerships and direct labour organisations.
I look forward to seeing you and I should be grateful if you would respond to this invitation by return.

Yours sincerely

[Name of project lead]
1. Introduction

1.1. What is HMEP?

1.2. What is Supply Chain Collaboration?

1.3. What are we trying to achieve?

1.4. Who is involved?

2. Current service

2.1. Who provides it?

2.2. On what contractual terms?

2.3. What does the service cost?

2.4. What improvements would have the biggest impact?

2.5. What improvements would be easiest to achieve?

3. Initial Programme

3.1. Engagement with Tier 1 Contractors

3.2. Collect contractual data

3.3. Agree scope of Supply Chain Collaboration exercise

3.4. Agree common specifications

3.5. Engagement with supply chain

4. Actions and responsibilities

5. Any Other Business
Document D – Template Invitation to Tier 1 Contractor Supply Chain Collaboration Workshop

Re: Invitation to attend initial supply chain workshop

Attachment: Briefing Note (Document E) and Agenda (Document F)

Dear [ ]

As you may be aware, [Authority], [Authority] and [Authority] are working together to determine ways in which their respective highways maintenance services can be delivered more efficiently. You have been identified as one of the Tier 1 Contractors engaged by these Authorities and we would like to meet to discuss ways in which the Authorities and Tier 1 Contractors can change the way in which they work in order to operate more efficiently.

These Authorities are proposing to use the Local Highway Authorities Supply Chain Collaboration Toolkit published by the Department for Transport’s Highways Maintenance Efficiency Programme to determine if efficiency can be delivered through second and third tier supply chain engagement.

Please find enclosed a guidance note setting out some of the principles of the proposed exercise.

The Authorities would like to discuss ways in which you could offer a more efficient service and what you would require from the Authorities in order for you to deliver more efficiently. The Authorities are each committed to working in a different way and we wish to work with contractors that demonstrate the same attitude.

Therefore, I would like to invite you to a supply chain workshop to be held at [time] on [date] at [location] to which all Authorities and Tier 1 Contractors are also invited. An agenda for the workshop is attached.

The workshop will focus on best practice delivery structures and the development of a process that can deliver an efficient highways maintenance service in the long term. Contractors will be invited to offer their own innovative ideas and solutions.

The discussion will be chaired by [ ] as project lead. This workshop is the first formal stage of the engagement process with Tier 1 Contractors and will be followed by an engagement process with the supply chain. Discussions at the workshop should remain confidential and no information should be shared with any party not present other than the local authorities and as specifically agreed.

Should you have any further questions about the workshop, please do not hesitate to contact me. I should be grateful if you would respond to this invitation by return.

Yours sincerely

[Name of project lead]
Supplies Chain Collaboration and Employment and Skills - Outline process

1 HMEP

The Department for Transport’s Highways Maintenance Efficiency Programme (HMEP) has provided guidance on ways to achieve savings and other benefits under improved Supply Chain Collaboration and delivery better opportunities to the local community through employment and skills commitments.

We are now commencing the process of engaging with Tier 1 Contractors to understand how local authorities can work better and how Tier 1 Contractors and their supply chain can work more efficiently as a result.

We are therefore working under our existing highways maintenance contracts to consider:

- Review of the Tier 2/3 Subcontractors and Suppliers used by Tier 1 Contractors;
- Comparison of those Tier 2/3 Subcontractors and Suppliers engaged by other Tier 1 Contractors;
- Review of whether the duration and scope of contracts and supply agreements have been fully exploited as a means to obtain best value;
- Review of whether local or regional subcontract or supply arrangements could offer improved prices or improved proposals including improved employment and skills commitments;
- Engagement through Tier 1 Contractors as to the potential for them to renegotiate current subcontract and supply arrangements (whether alone or jointly with other Tier 1 Contractors) to achieve the desired improved outcomes; and
- Facilitated conclusion of new subcontract/supply arrangements that bring benefits to Authorities as to cost, efficiency and local community benefits in return for the Authorities agreeing to work in different ways.

2 Key questions

2.1 What are the objectives?

- Better understanding of supply chain and transparent relationships between clients, Tier 1 Contractors and Tier 2/3 Subcontractors and Suppliers.
- Innovation driven at all levels of the supply chain to achieve savings, improved efficiency and reduced waste.
- Increased opportunities for Tier 2/3 Subcontractors and Suppliers, for longer duration contracts and with wider group of clients.
- Enhanced delivery of employment and skills benefits for all parts of the industry.
2.2 What about current supply contracts and subcontracts?

- Need to analyse costs and added value under current contracts.
- Potential to replace current subcontracts and supply agreements (in accordance with their terms) under new joint arrangements.

2.3 What will be the outcome of the Supply Chain Collaboration exercise?

- For Tier 1 Contractors and successful Tier 2/3 Subcontractors and Suppliers, outcome will be new Supply Chain Agreements.
- New agreements will be monitored by the Authorities.

2.4 Is this nomination?

- Authorities will not be nominating Tier 2/3 Subcontractors and Suppliers.
- Process will be run by Tier 1 Contractors and monitored by Authorities to achieve mutually acceptable appointments of Tier 2/3 Subcontractors and Suppliers under larger scale, longer term joint arrangements.

2.5 What is each Authority's role?

- Setting up the process including provision of enquiry document and new form of Supply Chain Agreement.
- Facilitating implementation of the Supply Chain Collaboration and employment and skills intervention processes through to conclusion.
- Monitoring implementation of the new Supply Chain Agreements.

2.6 How will Tier2/3 Subcontractors and Suppliers be paid?

- By Tier 1 Contractors under consistent payment terms under Supply Chain Agreements.
- Complemented by normal Tier 2/3 Subcontractor and Supplier terms (where not in contravention of Supply Chain Agreements).
Document F – Template Agenda for Tier 1 Contractor Supply Chain Collaboration Workshop

1  Introduction

1.1  What is HMEP?

1.2  What is Supply Chain Collaboration?

1.3  What are we trying to achieve?

1.4  Who is involved?

2  Current service

2.1  What improvements would the Authorities like to see?

2.2  What will the Authorities do to enable these improvements to be made?

3  Initial Programme

3.1  Collect data on current supply chains and prices

3.2  Agree common specifications

3.3  Engagement with supply chain

4  Actions and responsibilities

5  Any Other Business
Re: Invitation to attend specifications workshop

Attachment : Agenda (Document H)

Dear [ ]

Following recent meetings on the proposals to engage with the supply chains providing highways maintenance services, I write to invite you to a specification workshop to be held at [time] on [date] at [location] to which all local authorities [and Tier 1 Contractors] are invited. An agenda for the workshop is attached.

The workshop will focus on agreeing a common specification for each of the works and materials that we have agreed to discuss in more detail with the supply chain. The purpose of agreeing common specifications is to ensure that the local authorities can work most efficiently and gain the maximum benefits from using simplified processes and economies of scale.

The discussion will be chaired by [ ] as project lead. This workshop will enable us to produce a draft specification that can be circulated to Tier2/3 Subcontractors and Suppliers for comment or agreement.

Should you have any further questions about the workshop, please do not hesitate to contact me. I should be grateful if you would respond to this invitation by return.

Yours sincerely

[Name of project lead]
Document H – Template Agenda for Specifications Workshop

1 Introduction

1.1 What is the aim of the workshop?

1.2 What specifications are covered?

2 Current specifications

2.1 Similarities and key differences

2.2 What are the reasons for differences?

2.3 Does each Authority have a different view on specifications

2.4 Can compromises be agreed?

3 New specifications

4 Actions and responsibilities

5 Any Other Business
Re: Invitation to attend initial supply chain workshop

Attachment: Draft Specification, Briefing Note (Document J) and Agenda (Document K)

Dear [ ]

As you may be aware, [Authority], [Authority] and [Authority] are working together to determine ways in which their respective highways maintenance services can be delivered more efficiently. You have been identified by one of the Tier 1 Contractors engaged by these Authorities as a potential Tier 2/3 Subcontractors and Suppliers providing highways maintenance services in these Authority areas.

These Authorities are proposing to use the Local Highway Authorities Supply Chain Collaboration Toolkit published by the Department for Transport's Highways Maintenance Efficiency Programme to determine if efficiency can be delivered through second and third tier supply chain engagement.

Please find enclosed a guidance note setting out some of the principles of the proposed exercise.

The Tier 1 Contractors are seeking to engage Tier 2/3 Subcontractors and Suppliers that:

- Can demonstrate experience and competence in the relevant services;
- Have a core part of their business dedicated to the relevant services;
- Have the resources to meet anticipated programme demands;
- Can demonstrate innovation and flexibility in their approach to delivering services;
- Have the ability to work for a number of Tier 1 Contractors engaged by the Authorities at common rates and on common terms; and
- Can comply with agreed Key Performance Indicators.

Therefore, I would like to invite you to a supply chain workshop to be held at [time] on [date] at [location] to which all prospective supply chain members, local authorities and Tier 1 Contractors are also invited. An agenda for the workshop is attached.

The workshop will focus on the finalisation of a specification (a draft of which is attached) plus best practice delivery structures and the development of a pricing schedule that best suits price build-up and valuation. Prospective supply chain members will be invited to offer their own innovative ideas and solutions.

The discussion will be chaired by a representative of the Tier 1 Contractors. Each prospective supply chain member will have the opportunity to put forward their opinions. You will be working with Tier 1 Contractors for the benefit of the local authorities although participation in the workshop and the remainder of the process does not guarantee your selection or any minimum amount of work.

This workshop is the first stage of the engagement process with supply chain members and will be followed by a more formal enquiry process if the workshop is successful. Discussions at the workshop should remain confidential and no information should be shared with any party not present other than the local authorities and as specifically agreed.
Should you have any further questions about the workshop, please do not hesitate to contact me. I should be grateful if you would respond to this invitation by return.

Yours sincerely

[Name of project lead]
Supply Chain Collaboration and Employment and Skills - Outline process

1 Outline process

The Department for Transport’s Highways Maintenance Efficiency Programme (HMEP) has provided guidance on ways to achieve savings and other benefits under improved Supply Chain Collaboration and delivery better opportunities to the local community through employment and skills commitments.

We are now commencing the process of engaging with the supply chain to understand how Authorities and Tier 1 Contractors to enable their supply chain to work more efficiently.

We are therefore working under our existing highways maintenance contracts to consider:

- Review of the Tier 2/3 Subcontractors and Suppliers used by Tier 1 Contractors;
- Review of whether the duration and scope of contracts and supply agreements have been fully exploited as a means to obtain best value;
- Review of whether local or regional subcontract or supply arrangements could offer improved prices or improved proposals including improved employment and skills commitments; and
- Facilitated conclusion of new subcontract/supply arrangements that bring benefits to Authorities as to cost, efficiency and local community benefits in return for the Authorities agreeing to work in different ways.

2 Key questions

2.1 What are the objectives?

- Better understanding of supply chain and transparent relationships between clients, Tier 1 Contractors and Tier 2/3 Subcontractors and Suppliers.
- Innovation driven at all levels of the supply chain to achieve savings, improved efficiency and reduced waste.
- Increased opportunities for Tier 2/3 Subcontractors and Suppliers, for longer duration contracts and with wider group of clients.
- Enhanced delivery of employment and skills benefits for all parts of the industry.

2.2 What about current supply contracts and subcontracts?

- Need to analyse costs and added value under current contracts.
- Potential to replace current subcontracts and supply agreements (in accordance with their terms) under new joint arrangements.
2.3 **What will be the outcome of the Supply Chain Collaboration exercise?**

- For Tier 1 Contractors and successful Tier 2/3 Subcontractors and Suppliers, outcome will be new Supply Chain Agreements.
- New agreements will be monitored by Authorities.

2.4 **Is this nomination?**

- Authorities will not be nominating Tier 2/3 Subcontractors and Suppliers.
- Process will be run by Tier 1 Contractors and monitored by Authorities to achieve mutually acceptable appointments of Tier 2/3 Subcontractors and Suppliers under larger scale, longer term joint arrangements.

2.5 **What is each local authority’s role?**

- Setting up the process including provision of enquiry document and new form of agreement.
- Facilitating implementation of the Supply Chain Collaboration and employment and skills intervention processes through to conclusion.
- Monitoring implementation of the new Supply Chain Agreements.

2.6 **How will Tier 2/3 Subcontractors and Suppliers be paid?**

- Consistent payment terms under Supply Chain Agreements.
- Complemented by normal Tier 2/3 Subcontractors and Suppliers terms (where not in contravention of Supply Chain Agreement).

2.7 **How will we deal with variables between the way that work is ordered by different Authorities?**

- Basics will be established in a common specification agreed by Authorities.
- Variables in orders will be picked up when orders are issued by reference to common specification.
- The purpose of the exercise is to establish common ground, not to eliminate scope for differing requirements.
# Document K – Template Agenda for Supply Chain Workshop

1 Introduction

1.1 What is HMEP?

1.2 What is Supply Chain Collaboration?

1.3 What are we trying to achieve?

1.4 Who is involved?

2 Current service

2.1 What improvements would the Authorities like to see?

2.2 What will the Authorities do to enable these improvements to be made?

3 Initial Programme

3.1 Discuss specifications

3.2 Distribute enquiry document

3.3 Invite supply chain for interviews

3.4 Award Supply Chain Agreements

4 Actions and responsibilities

5 Any Other Business
Enquiry document

1 Introduction

1.1 [Lead Contractor] is issuing this Enquiry Document on its own behalf and on behalf of [other contractors] (the Contractors), the highways maintenance contractors under contracts with [Authorities] (the Councils). The Contractors currently carry out highways maintenance across [region covered by local authorities] (the Programme).

1.2 The Contractors are working with the Councils to ensure that savings combined with improved efficiency and added value are secured in the delivery of the Programme through greater engagement with the supply chain.

1.3 The Contractors wish to establish one or more long term appointments for the provision of highways maintenance works as described below to deliver the Programme for [ ] years, commencing [ ].

1.4 The Councils' budget allocation for the Programme is anticipated to have a value of approximately £[ ]m over [ ] years involving [brief description of programme].

1.5 The Councils currently deliver highway maintenance services with works delivered using the Contractors’ supply chains. However, the Councils and the Contractors recognise the cashable and quality benefits of moving to a longer commitment through programme co-ordination, economies of scale and opportunities to improve resource management.

1.6 The Contractors and the Councils are seeking to deliver the following objectives [amend as appropriate]:

1.6.1 [Overall reduction costs in labour, plant material in all areas of delivery;]

1.6.2 Overall reduction in costs delivered through more effective programme management leading to improved resource management;

1.6.3 Improved working with materials supply chain and reduction in lead time of introducing new techniques and materials;

1.6.4 Improved programme co-ordination and control with utility companies;

1.6.5 Improved co-ordination of works with public sector partners;

1.6.6 Improved resident satisfaction as a direct impact of improved engagement and advance notice of works;

1.6.7 Opportunities to exploit value engineering and innovative long term solutions to planned highways maintenance;

1.6.8 Improved accuracy and quality of asset management;

1.6.9 More sustainable works and supplies and improved employment and skills commitments.]
1.7 The Contractors wish to appoint supply chain partners in relation to the Programme as follows:

[Describe regional appointments and use of lots]

1.8 You may, if you wish, bid for all lots. Alternatively, you may submit a bid for one or more lots. However, the Contractors reserve the right to award part bids where appropriate.

1.9 The Contractors now invite your organisation to respond to this enquiry to determine the extent to which you can assist the Contractors in the delivery of best value for the Councils and to maximise additional benefits in relation to innovation, improvement, warranties and sustainability. The indicative timetable for this process, which is subject to variation by the Contractors in consultation with the Councils, is:

<table>
<thead>
<tr>
<th>Issue of Enquiry Document:</th>
<th>[]</th>
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</thead>
<tbody>
<tr>
<td>Responses delivered:</td>
<td>[]</td>
</tr>
<tr>
<td>Target for award notification</td>
<td>[]</td>
</tr>
</tbody>
</table>

1.10 The successful bidder or bidders will contract directly with the Contractors, who will retain direct responsibility for making payments to you and for the delivery of the Programme.

1.11 The Contractors considers that it will be possible to deliver the Programme using only the successful bidders, although the Contractors reserve the right to engage other Tier2/3 Subcontractors and Suppliers if the appointed Tier2/3 Subcontractors and Suppliers are unable to provide value for money.

1.12 The scope of the required works and supplies (the Supply Chain Activities) is further detailed in the specification set out at Annex 1 (the Specification).

1.13 The Supply Chain Activities will be carried out under a supply chain agreement based on [describe form of contract – HMEP template may be used](the Supply Chain Agreement). A copy is available from the Contractors on request.

1.14 The Contractors, in consultation with the Councils, will evaluate bids received to establish the organisations that are best placed to assist the Contractors to deliver the Programme efficiently and to high standards. The evaluation will [describe evaluation basis for price/quality].

2 **Response**

2.1 You are invited to submit detailed proposals for carrying out the Supply Chain Activities forming part of the Programme (the Response), as described in this Enquiry Document.

2.2 If you require any further information or wish to raise any query, such requests or queries should be addressed to [ ] of [Lead Contractor] at email: [ ]; phone: [ ].

2.3 The Contractors will endeavour to answer all such requests and/or queries provided that they are received in sufficient time by the Contractors to provide a response before the date specified for the return of Responses. To the extent they are of general applicable,
any such requests and/or queries and the Contractors' responses will be sent to all respondents.

2.4 To be considered, Responses must:

2.4.1 be received by the Contractors by registered post or recorded delivery or delivered by hand to [ ] at [lead contractor], [ ] by no later than 12 noon on [ ] for or such later date as the Contractors may notify (the Closing Date). Responses may be delivered by hand only [Monday to Friday 0800 hrs to 1800 hrs] and a signed receipt must be obtained;

2.4.2 be kept open and valid for acceptance by the Contractors for at least six (6) months after the return of Responses or such longer period as may be agreed with the Contractors; and

2.4.3 include two hard copies and one electronic copy on CD or data stick.

2.5 Your Response should comprise of four elements as follows:

2.5.1 **Response** – Annex 2 – Please print the document set out at Annex 2 and sign it to confirm agreement to the declarations that it contains;

2.5.2 **Technical Proposal** – Annex 3 – Please submit a written paper answering all the questions set out at Annex 3, using the same numbering. This paper will enable the Contractors to evaluate each Bidder's technical capabilities and capacities as well as understand the Bidder's commitment to innovation;

2.5.3 **Schedule of Rates** – Annex 4 – Please complete the Schedule of Rates set out at Annex 4. You should complete one Schedule for each Lot that you wish to bid for;

2.5.4 **Added Value Proposals** – Annex 5 – Please complete the matrix set out at Annex 5 confirming the extent to which you could offer discounts against your Schedule of Rates based on the fulfilment of specific obligations by the Contractors and the Councils. This matrix should clearly identify all areas where the Bidder considers that working practices could be improved to deliver greater efficiency. There is no limitation on the ideas that can be referred to in this section, but relevant examples include:

(a) Planning of work;

(b) Continuity of work;

(c) Recycling;

(d) Payment systems;

(e) Early contractor involvement; and

(f) Other proposals.
Annex 1

Specification

[Insert final agreed Specification]
Annex 2
Response

Response for Highways Maintenance Works in [Region] for [Contractors]

Date:

Unconditional and irrevocable offer to [Contractors]

1. I/We the undersigned return this Response and acknowledge that we are bound by our proposals submitted pursuant to the Enquiry Document.

2. I/We hereby unconditionally and irrevocably offer to undertake the Supply Chain Activities requested to be provided and performed under the Enquiry Document in accordance with the Supply Chain Agreement (without amendments) at the rates and prices stated in the Schedule of Rates.

3. I/We confirm that:
   3.1 I/We are fully conversant with every part of the Enquiry Document; and
   3.2 this Response is submitted strictly in accordance with the Enquiry Document.

4. I/We enclose under cover of this Response two (2) hard copies and one (1) electronic copy on CD or data stick of the following documents:
   4.1.1 A signed copy of this Response;
   4.1.2 A Technical Proposal answering the questions set out at Annex 3 of the Enquiry Document;
   4.1.3 A Schedule of Rates as set out at Annex 4 of the Enquiry Document; and
   4.1.4 A matrix describing Added Value Proposals as set out at Annex 5 of the Enquiry Document.

5. I/We agree that this Response shall remain open to be accepted by the Contractors and shall not be withdrawn for a period of six (6) months from the deadline for receipt of the Response, or such longer period as may be agreed with the Contractors.

6. I/We undertake to execute a Supply Chain Agreement for the proper and complete fulfilment of the Supply Chain Activities or any part or parts thereof, as the Contractors in their absolute discretion awards to us.

7. I/We agree that I/we shall commence the Supply Chain Activities when instructed to do so pursuant to the Supply Chain Agreement.
8 I/We certify that no details of this Response and/or the Enquiry Document have been communicated to any other person or adjusted in accordance with any agreement or arrangement with any other person or organisation.

9 I/We acknowledge that the Contractors are not bound to accept the lowest or any Response they may receive, and reserve the right at their absolute discretion to accept or not to accept any response submitted.

10 I/We certify that we have full power and authority to enter into a Supply Chain Agreement and to undertake the Supply Chain Activities, and that this is a bona fide response.

Dated

Signed for and on behalf of the respondent:

Signed: 

Job Title: 

Respondent's Name: 

Address: 

Signed for and on behalf of the respondent:

Signed: 

Job Title: 

Respondent's Name: 

Address:
Annex 3

Technical Response

[Insert technical questions that require the Bidders' written responses].

Annex 4

Schedule of Rates

[Insert schedule of rates for relevant supplies/activities including volume banding where appropriate].

Annex 5

Added Value Proposals

[Insert schedule to be completed by Bidders to suggest added value proposals].
Document M – Template Agenda for Supply Chain Interviews and Discussions

1 Introduction
1.1 What are the Tier 1 Contractors seeking to achieve?
1.2 What is the reason for the change of approach?

2 Capability
2.1 What geographical areas can you work in?
2.2 What is your capacity?
2.3 Does your service have any technical limitations?
2.4 Can a defined long-term programme offered by Authorities enable sufficient investment to enable you to extend the scope of your service?

3 Prices
3.1 On what basis have your prices been submitted?
3.2 What could Authorities and Tier 1 Contractors do to enable you to reduce prices?

4 Innovation
4.1 What makes your business different?
4.2 What additional benefits are you able to offer?
4.3 What would you expect of Tier 1 Contractors and Authorities in order that you can deliver those additional benefits?

5 Any Other Business
Supply Chain Agreement

Date 2011

Parties

(1) [ ] (company number [ ]) whose registered office is at [ ];

(2) [ ] (company number [ ]) whose registered office is at [ ];

(3) [ ] (company number [ ]) whose registered office is at [ ];

(4) [ ] (company number [ ]) whose registered office is at [ ];

(5) [ ] (company number [ ]) whose registered office is at [ ];

(6) [ ] (company number [ ]) whose registered office is at [ ];

(together with any Additional Contractor that signs an Additional Party Notification in accordance with clause 9.1 the Contractors and each a Contractor); and

(7) [ ] (company number [ ]) whose registered office is at [ ].

(the Supply Chain Member).

Introduction

(A) The Contractors wish to undertake tasks (each a Task) as part of a number of programmes of highways repairs and maintenance works and services (the Programmes) at sites (each a Site) for the following clients (the Clients and each a Client):

[ ]

[ ]

[ ]

[ ]

[ ]

[ ]

[ ]


(B) The Clients have awarded or intend to award contracts to the Contractors for the implementation of Programmes (each a Contract).
The Contractors require [ ] (the Supply Chain Activities) forming part of Programmes as described in the brief set out in Schedule 1 (the Brief) which the Supply Chain Member has agreed to provide in accordance with and subject to the terms of this Agreement.

1 Appointment and purposes

1.1 The Contractors appoint the Supply Chain Member to carry out Supply Chain Activities and the Supply Chain Member accepts the appointment upon and subject to the terms of this Agreement.

1.2 Notwithstanding any other term of this Agreement, none of the Contractors guarantee any minimum quantity or value of Supply Chain Activities.

1.3 Supply Chain Activities shall be carried out pursuant to Instructions (as defined in clause 4) issued by a Contractor in accordance with clause 4 and only the Contractor issuing an Instruction shall be liable to the Supply Chain Member for payment in respect of the Supply Chain Activities described in such Instruction.

1.4 The Supply Chain Member shall enter into the form of Direct Agreement as set out in Schedule 8 in favour of each of the Clients.

1.5 The Supply Chain Member shall provide in respect of the Supply Chain Activities the warranties and added value described in Schedule 2 (the Warranties/Added Value).

1.6 The Supply Chain Member confirms that, provided that the Contractors place Instructions in conformity with the special terms set out at Schedule 10 (the Special Terms), then any related activities carried out by another party engaged by the Contractor shall not adversely affect the Warranties/Added Value in relation to any Project.

2 Consultation

2.1 The Supply Chain Member shall be invited to attend meetings of the supply chain group comprising representatives of the Contractors and of the Clients (the Supply Chain Group) as and when the Supply Chain Group wishes to consider progress and performance under this Agreement and, when so invited, the Supply Chain Member shall ensure that all parties required shall attend such Supply Chain Group meetings (unless an alternative representative is agreed by the parties).

2.2 The Supply Chain Member shall attend all such other meetings as any Contractor may reasonably request in connection with the Supply Chain Activities in relation to any Project and subject to reasonable prior notice.

3 KPIs and incentives

3.1 The performance of the Supply Chain Member under this Agreement shall be measured by the Supply Chain Group according to key performance indicators (the KPIs) and fundamental targets (the Fundamental Targets) set out in Schedule 3.

3.2 The Supply Chain Group shall review the performance of the Supply Chain Member against the KPIs and Fundamental Targets and shall consider whether such
performance shall justify an adjustment in the volume of work awarded to the Supply Chain Member pursuant to this Agreement or shall affect the continued relationship between the Contractors and Supply Chain Member for the purpose of clause 9.1.

3.3 The Supply Chain Group shall consider and seek to agree such incentives as may be appropriate to encourage the Supply Chain Member to maximise its contributions to the Programmes pursuant to this Agreement.

3.4 If the Supply Chain Member considers that in accordance with clause 5.4 it can achieve reduction of the Prices (as defined in clause 5) then the Supply Chain Member shall put forward detailed proposals to the Supply Chain Group and, subject to prior approval by the Supply Chain Group of the cost-saving proposal, the Supply Chain Member shall be entitled to such incentives as may be agreed between the parties pursuant to clause 3.3.

4 Instructions and Contracts

4.1 A Contractor may issue one or more instructions based on the form set out in Schedule 4 (each an Instruction) to a Supply Chain Member to carry out Supply Chain Activities, copied to the Client for whose Project the Supply Chain Activities are to be provided, and the Supply Chain Member shall countersign and return one copy of each such Instruction to the instructing Contractor and shall comply with its terms.

4.2 Each Contractor may incorporate with an Instruction such terms and conditions (Standard Terms) as reflect its working relationships with parties equivalent to the Supply Chain Member, provided that the Standard Terms have been agreed with the Supply Chain Member in advance (such approval not to be unreasonably withheld or delayed) and are consistent with this Agreement and with the rights and obligations of the relevant Contractor under its Contract. To the extent that the Standard Terms as are incorporated with an Instruction in accordance with this clause 4.2 do not directly conflict with the terms and conditions of this Agreement or with the rights and obligations of the relevant Contractor under its Contract, they shall be treated as complimentary and additional rights and obligations to those set out in this Agreement.

4.3 All Instructions shall be subject to the terms of this Agreement which, in the event of conflict or discrepancy, shall take precedence over any Standard Terms and shall be copied to the relevant Client by the instructing Contractor.

4.4 The Supply Chain Member recognises that Instructions issued by each Contractor will be for the purpose of performing that Contractor’s obligations under a Contract, and in the carrying out of Supply Chain Activities the Supply Chain Member shall not do anything that shall put any Contractor in breach of a Contract.

5 Prices and payment

5.1 In consideration of the carrying out of the Supply Chain Activities in accordance with the terms of this Agreement and each Instruction, each instructing Contractor shall pay the Supply Chain Member in respect of Supply Chain Activities prices calculated in accordance with Schedule 5 (the Prices) plus value added tax at the current applicable rate (VAT) and the amount payable to the Supply Chain Member pursuant
to each Instruction shall be set out in the relevant Instruction according to the value of
the relevant Supply Chain Activities.

5.2  The Supply Chain Member shall be paid in accordance with the relevant Contractor’s
Standard Terms and each Contractor confirms that their Standard Terms shall comply
with the provisions of the Housing Grants, Construction and Regeneration Act 1996 as
amended.

5.3  The Prices shall be subject only to such fluctuation provisions (including those relating
to inflation), if any, as are set out in Schedule 5.

5.4  The Contractors and the Supply Chain Member shall consider and seek to agree ways
to reduce the Prices during the life of this Agreement, whether by means of innovation,
improved efficiency, cost-effectiveness, lean production, reduction or elimination of
waste or otherwise, in accordance with clause 3.4.

6  Skill and care and health and safety

6.1  In relation to any design forming part of the Supply Chain Activities the Supply Chain
Member shall use reasonable skill and care appropriate to its role, expertise and
responsibilities as stated in this Agreement and the Brief and shall owe such duty of
care to each instructing Contractor in respect of all of its agreed obligations under this
Agreement and the Brief and each Instruction.

6.2  Each Contractor and the Supply Chain Member shall comply with the Construction
(Design and Management) Regulations 2007 and any re-enactments and
amendments (the CDM Regulations) in all matters relating to the carrying out of the
Supply Chain Activities.

6.3  The Supply Chain Member shall take out and maintain throughout any period in which
it is on Site third party/public liability insurance and employer’s liability insurance and
professional indemnity insurance/product liability insurance in accordance with
Schedule 6 Part 1 and in respect of all such insurances shall adhere to the obligations
set out in Schedule 6 Part 2.

6.4  In all matters relating to the Supply Chain Activities, the Supply Chain Member shall
implement the quality control, customer liaison and product support procedures stated
in and developed pursuant to the Brief.

7  Access, equipment and timing

7.1  Each instructing Contractor shall arrange access to the relevant Sites for the purpose
of the Supply Chain Activities in accordance with the procedures set out in or to be
developed in accordance with the Brief and the Supply Chain Member shall comply
strictly with such procedures.

7.2  Each Contractor shall provide for use by the Supply Chain Member in connection with
the Supply Chain Activities such facilities and equipment (if any) as are described in
the Brief or in a specific Instruction and the Supply Chain Member shall be solely
responsible for all other equipment, goods and materials necessary for the Supply
Chain Activities.
7.3 The Supply Chain Member shall be responsible for arranging appointments for carrying out the Supply Chain Activities at the Sites as agreed with each Contractor and for complying with such agreed appointments and arrangements.

7.4 The Supply Chain Member shall carry out the Supply Chain Activities within the periods of time stated in each Instruction, calculated in accordance with the Brief.

8 General

8.1 Except as agreed otherwise in writing all communications pursuant to the terms of this Agreement shall be in writing by receipted hand delivery or special delivery, post or fax or ordinary post with fax confirmation of dispatch and receipt or email sent between previously authorised individuals, and in each case delivered to the address of the relevant party stated in this Agreement or to such other address as may be notified by any party to the others.

8.2 Nothing in this Agreement shall create or be construed as creating a partnership between the parties and no party shall conduct itself in any way so as to create the impression that such a partnership exists.

8.3 The parties shall comply with all laws and regulations currently in force in England and with the terms of all statutory and other legally binding requirements relating to the Supply Chain Activities.

8.4 No party shall without the prior consent of the others assign or transfer any rights and/or obligations under this Agreement to any party or be entitled to sub-contract any of its rights or obligations under this Agreement.

8.5 Subject to clause 8.6, the parties shall treat as strictly confidential and not disclose to any third party (except as expressly agreed between them or as required by law or on a strictly confidential basis to their respective legal and insurance advisers and auditors) any information exchanged between them, if and to the extent that it is stated or known by them to be confidential, and shall use such information only for the purposes of the Programmes and each party shall ensure that its employees understand and abide by the confidentiality obligations described in this clause 8.5.

8.6 The parties acknowledge that each party may share with the Client such information as the Client requires in respect of the matters arising from this Agreement and that this shall not constitute a breach of clause 8.5.

8.7 The Supply Chain Member warrants that no document that it prepares and nothing to which it contributes pursuant to this Agreement shall infringe any other party’s intellectual property rights (including without limitation patents, trademarks, designs, design rights, copyright, inventions, trade secrets, know-how and confidential information) and grants to the other parties an irrevocable, non-exclusive, royalty-free licence to copy and use all such documents and contributions for any purpose relating to the Programmes in all cases with a right to transfer and sub-license such rights for the same purposes, and shall ensure that such licence shall have the support of such rights from third parties as are necessary to allow the grant of such licence.

9 Additional Contractors and third party rights
9.1 Details of any party with which a Client enters into a contract for any part of the Programmes (an **Additional Contractor**) may be notified to the Supply Chain Member and the Contractors at any time in accordance with this clause 9.1 and upon receipt of such notification, such Additional Contractor shall be treated for all purposes as one of the Contractors in this Agreement subject to such Additional Contractor executing and delivering to all Contractors and the Supply Chain Member an Additional Party Notification in the form set out in Schedule 9 (an **Additional Party Notification**).

9.2 Any Additional Contractor shall be entitled to enforce the terms of this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

9.3 Subject to clause 9.1 and 9.2 and subject to the terms of Direct Agreements provided in accordance with clause 1.4, and unless otherwise agreed by the parties, a person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

10 **Termination**

10.1 The Contractors may give notice requiring attendance of the Supply Chain Member at a Supply Chain Group meeting if, for any reason, the Supply Chain Member fails to comply with the KPIs and Fundamental Targets, and if at such Supply Chain Group meeting the Supply Chain Member does not put forward proposals for remedying such failure that are acceptable to the Clients and the Contractors, then the Contractors (taking into account all relevant circumstances including the cost and other implications of alternative arrangements) may terminate the relationship with the Supply Chain Member by not less than twenty-eight (28) days notice to the Supply Chain Member and, in such circumstances, each Contractor shall pay the Supply Chain Member for all Supply Chain Activities carried out in accordance with Instructions issued prior to the effective date of termination.

10.2 In the event that the Supply Chain Member becomes insolvent, then the Contractors shall be entitled to terminate the Supply Chain Member's engagement pursuant to this Agreement with immediate effect.

10.3 In the event that any Contractor becomes insolvent, then that Contractor shall no longer be entitled to issue Instructions to the Supply Chain Member pursuant to this Agreement and the Supply Chain Member shall be entitled to terminate its appointment pursuant to any Instructions issued by that Contractor that remain incomplete at the date of insolvency by given written notice to the Contractors with immediate effect.

10.4 If at any time the Supply Chain Member shall breach materially this Agreement and shall not remedy such breach within fourteen (14) days from the date of notice from an instructing Contractor in each case specifying the breach, then after consultation between the Client and the Contractors, the Contractors may terminate the appointment of the Supply Chain Member under this Agreement by notice with immediate effect.

10.5 If at any time any Contractor shall breach materially this Agreement and shall not remedy such breach within fourteen (14) days from the date of notice from the Supply
Chain Member copied to all Contractors, the Supply Chain Member may terminate that Contractor’s right to issue Instructions under this Agreement to the Supply Chain Member and shall be entitled to terminate its appointment pursuant to any Instructions issued by that Contractor that remain incomplete by given written notice to that Contractor with immediate effect.

10.6 Any Contractor’s rights under this Agreement shall terminate automatically with immediate effect if that Contractor is no longer appointed on the Programmes by any Client.

10.7 Unless the Contractors and the Supply Chain Member agree otherwise in writing, following the date that is [ ] years after the date of this Agreement no Contractor shall be entitled to issue further Instructions to the Supply Chain Member pursuant to this Agreement. The Supply Chain Member shall complete any outstanding Supply Chain Activities required pursuant to any Instructions issued by any Contractor that remain incomplete at the date in accordance with this Agreement and following the completion of such Instructions the Supply Chain Member’s appointment pursuant to this Agreement shall terminate.

10.8 Without prejudice to any other provision of this Agreement, any Contractor may terminate its appointment of the Supply Chain under this Agreement and recover from the Supply Chain Member the amount of any loss resulting from any such removal if it shall give any payment or reward the receipt of which is an offence under Section 117(2) of the Local Government Act 1972 or the Bribery Act 2010.

10.9 Termination of the appointment of any party shall not affect the mutual rights and obligations of the parties accrued at the date of termination and the ongoing rights and obligations of the remaining parties as stated in this Agreement.

11 Problem solving, dispute avoidance and resolution

11.1 As soon as any party is aware of any dispute with another party arising under or out of or in connection with this Agreement, it shall notify all the others and the parties in dispute shall meet within seven (7) days from the date of notification and seek to resolve such dispute by negotiation.

11.2 In the event that the parties cannot resolve any dispute by negotiation, the dispute shall be referred to conciliation followed by adjudication (unless the parties agree otherwise) in accordance with Schedule 7.

11.3 This Agreement shall be governed by the laws of England and shall be subject to the non-exclusive jurisdiction of the courts of England and Wales.

12 Anti-corruption

12.1 Each Contractor and the Supply Chain Member warrants and undertakes to the Clients and each other that:

12.1.1 it has not and shall not engage in any extortion, fraud, deception, collusion, cartels, abuse of power, embezzlement, trading in influence, money laundering and/or any similar activity including, without limitation, any
activity, practice and/or conduct which would constitute an offence under Sections 1, 2 and/or 6 of the Bribery Act 2010 (Corrupt Activity) in relation to the Supply Chain Activities, the Programmes and/or this Agreement; and

12.1.2 it has not and shall not engage in any activity, practice and/or conduct which could place the Clients, any Contractor or the Supply Chain Member in breach of Section 7(1) of the Bribery Act 2010; and

12.1.3 it has and will maintain in place adequate procedures designed to prevent any Associated Person (as defined in the Bribery Act 2010) from undertaking any conduct that would give rise to an offence under Section 7 of the Bribery Act 2010.

12.2 Each Contractor and the Supply Chain Member warrants that it has complied with its undertakings under clauses 12.1.1 to 12.1.3 inclusive and each Contractor and the Supply Chain Member expressly acknowledges that the Clients, each Contractor and the Supply Chain Member are entitled to rely on such for the purposes of its compliance of its obligations under and or pursuant to the Bribery Act 2010 and legislation governing any Corrupt Activity.

12.3 Each Contractor and the Supply Chain Member undertakes to inform each Contractor, the Supply Chain Member and the Clients immediately in writing should such aforementioned acknowledgment change or cease to be an accurate and complete representation of their engagement in any Corrupt Activity in such manner and at such times with the intent that no omission and/or default in relation thereto shall constitute, cause or contribute to any breach by any Contractor, the Supply Chain Member and/or any Client of its obligations under or pursuant to the Bribery Act 2010 and/or any legislation in respect of Corrupt Activity.

This Agreement has been executed as a Deed by or on behalf of the parties and delivered the day and year first before written
Schedule 1

Brief

Schedule 2

Warranties/Added Value

Schedule 3

KPIs and Fundamental Targets
Schedule 4

Form of Instruction

Instruction No:

Date of Issue:

This Instruction is issued by [● instructing Contractor] pursuant to the Supply Chain Agreement dated [ ] (which shall govern implementation of this Instruction).

This Instruction is issued to [ ] for the carrying out of the following Supply Chain Activities:

...to be undertaken within the following periods:

...in consideration for payment of the following amounts:

Signed by…………………………………………………………

For and on behalf of [● instructing Contractor]

Copied to [Client]

Acknowledged by………………………………………………

Dated:
Schedule 5

Prices

[On each anniversary of this Agreement the Prices shall be increased or decreased as appropriate in accordance with the rate set out in the [relevant index] most current at the date of assessment.]
Schedule 6

Insurances

Part 1 – Third Party/Public Liability Insurance and Employers Liability Insurance and Professional Indemnity/Public Liability Insurance

1 Third party/public liability insurance cover shall be taken out by the Supply Chain Member in the amount of not less than £[ ],000,000 ([] million pounds) for each and every event with the number of events unlimited in respect of:

1.1 any liability, damage, loss, expense, cost, claim or proceedings in respect of personal injury to or death or any person arising out of or in connection with the Supply Chain Activities; and

1.2 any liability, damage, loss, expense, cost, claim or proceedings in respect of loss, injury or damage to any property insofar as the same is due to any negligence, omission or default of the Supply Chain Member or any individual or organisation for whom it is responsible.

2 Employer’s liability insurance cover shall be taken out by the Supply Chain Member in the amount required by law.

3 Professional indemnity/product liability insurance cover shall be taken out by the Supply Chain Member in the amount of not less than £[ ],000,000 ([] million pounds) for each and every event with the number of events unlimited.

Part 2 - Insurance – General

4 In relation to all insurances described in this Agreement:

4.1 the insurer shall be a reputable company trading in England and Wales;

4.2 the insuring party shall promptly pay all premiums and shall provide evidence of insurance cover to the other party upon request;

4.3 the insuring party shall comply with all the terms of its insurance policies and shall follow all required claims procedures;

4.4 the insuring party shall not knowingly do anything to invalidate any insurance cover or fail to make any claim affecting the Programmes or any Project or Contract and shall immediately notify the other parties in the event of any change of circumstances affecting any insurance cover;

4.5 the insuring party shall produce evidence to the Contractors of all exclusions and deductibles and such exclusions and deductibles shall be reasonable and approved in advance of the signature of this Agreement by all parties covered by the relevant insurance.
Schedule 7 Part 1

Conciliation

1 The term Conciliator shall mean an individual to be agreed between the parties, or failing agreement within 14 days after one has given the other a written request to concur in the appointment of a Conciliator, an individual to be appointed on the request of any of them by the President or Vice-President for the time being of The Association of Consultant Architects Limited (ACA).

2 If, at any time before reference of a difference or dispute to adjudication or litigation, the parties agree to conciliation in respect of that difference or dispute, they shall apply jointly to the Conciliator who shall conduct the conciliation in accordance with the edition of the ACA Conciliation Procedure current at the date of the application.

3 Any written agreement signed by the parties, which records the terms of any settlement reached during the conciliation, shall be final and binding upon them and they shall give effect to such settlement in accordance with its terms. If any of them fails to do so, then the other shall be entitled to take legal proceedings to secure such compliance.

Schedule 7 Part 2

Adjudication

1 The term Adjudicator shall mean such individual as shall be appointed from time to time in accordance with the edition of the Model Adjudication Procedure published by the Construction Industry Council current at the date of the relevant notice of adjudication (the Model Adjudication Procedure).

2 Any party has the right to refer a difference or dispute for adjudication by giving notice at any time of its intention to do so. The notice shall be given and the adjudication shall be conducted under the Model Adjudication Procedure.

3 The Adjudicator shall be required to give reasons for his or her decisions, and clause 24 of the Model Adjudication Procedure shall be treated as amended accordingly.

4 The Adjudicator shall, where considered necessary, be entitled to correct his decision so as to remove a clerical or typographical error arising by accident or omission.

5 The Adjudicator shall be entitled to allocate his fees and expenses relating to the adjudication as between the parties.

6 Without prejudice to their rights under the Agreement, the parties shall comply with any decision of the Adjudicator. If any of them fails to do so, then the other shall be entitled to take legal proceedings to secure such compliance pending final determination of the difference or dispute, and the term summary enforcement in clause 31 of the Model Adjudication Procedure shall be read accordingly.
Schedule 8

Form of Direct Agreement

Supply Chain Member warranty

dated [ ]

(1) [ ] (company no [ ] ) whose registered office is at [ ] (the Supply Chain Member).

(2) [ ] (registration number [ ] ) whose registered office is at [ ] (the Beneficiary).

Introduction

(A) The Supply Chain Member carries on business as [ ] and has been appointed as such by the Contractors to carry out Supply Chain Activities upon the terms and conditions contained in the Agreement and pursuant to Instructions.

(B) The Beneficiary has an interest in the Property.

(C) The Supply Chain Member has agreed to enter into this warranty in favour of the Beneficiary.

Agreed terms

1 Interpretation and definitions

1.1 In this warranty the following terms have the following meanings unless inconsistent with the context:

Agreement means the supply chain agreement entered into between the Contractors and the Supply Chain Member for the Supply Chain Activities;

Contractors means the parties identified as such in the Agreement;

Documents means all drawings plans models specifications schedules reports calculations and other works (including without limitation any such items retained on or in any computer software or other electronic medium) which have been or will be prepared by or on behalf of the Supply Chain Member in the course of carrying out the Supply Chain Activities whether in existence or to be made or produced and including all amendments and additions to them;

Group Company means any subsidiary company or holding company of the Beneficiary or another subsidiary or holding company of such company as subsidiary and holding company are defined in section 1159 Companies Act 2006;

Instructions means any instructions issued pursuant to the Agreement by the Contractors requesting Supply Chain Activities from the Supply Chain Member;

Property means the highways owned by the Beneficiary;

Supply Chain Activities has the meaning given to it in the Agreement;

Working Day means any day except Saturday Sunday and bank or other public holidays in England;

1.2 The clause headings in this warranty are for convenience only and do not affect its interpretation.

1.3 Words importing the singular meaning include where the context so allows the plural meaning and vice versa.

1.4 Words of one gender include both genders and words denoting natural persons include firms and companies and all are to be construed interchangeably in that manner.

1.5 A reference to any statute or statutory instrument shall include a reference to any modification extension or re-enactment of it.

1.6 References in this warranty to numbered clauses are to a reference to the relevant clause in this warranty.

2 Consideration

In consideration of the payment of £10.00 (ten pounds) by the Beneficiary to the Supply Chain Member (receipt of which the Supply Chain Member hereby acknowledges) the Supply Chain Member covenants with the Beneficiary as set out in this warranty.

3 Duty of care

The Supply Chain Member warrants and undertakes to the Beneficiary that:

3.1 it has performed and shall continue to perform all of its duties and obligations under or arising out of the Agreement; and

3.2 the Supply Chain Activities have been and shall be carried out using all the reasonable skill and care to be expected of a properly qualified and competent supply chain member experienced in the carrying out of such work for Supply Chain Activities of a similar volume scope value character and complexity to the Supply Chain Activities; and

3.3 it shall owe a duty of care to the Beneficiary in respect of all matters which lie within the scope of the Supply Chain Member’s responsibilities pursuant to the Agreement; and

3.4 the Beneficiary shall be deemed to have relied and shall continue to rely upon the Supply Chain Member’s skill and judgement in respect of all matters which lie within the scope of the Supply Chain Member’s responsibilities pursuant to the Agreement; and

3.5 this warranty applies to all Instructions issued to the Supply Chain Member whether before or after the date of this warranty.
4 Prohibited materials

4.1 The Supply Chain Member warrants that it has not used and shall not use in the Supply Chain Activities any products or materials which:

4.1.1 do not conform with British or European Standards (where appropriate) or Codes of Practice (or where no such standard exists do not conform with a British Board of Agrément Certificate); and/or

4.1.2 are generally known to the construction industry to be deleterious, in the particular circumstances in which they are specified for use, to health and safety and/or the durability of buildings or structures; and/or

4.1.3 do not comply with the guidance set out in the publication by Ove Arup and Partners entitled “Good Practice in the Selection of Construction Materials”; and/or

4.1.4 are specifically prohibited under the Agreement.

4.2 The Supply Chain Member shall as soon as reasonably practicable notify the Beneficiary if it becomes aware of any proposed or actual specification and/or use in the Project of any materials which do not comply with clause 4.1.

5 Copyright and moral rights

5.1 The Supply Chain Member hereby grants to the Beneficiary an irrevocable royalty-free non-exclusive licence to use copy and reproduce the Documents for any purpose whatsoever connected with the Property including but without limitation the execution, completion, extension, maintenance, letting, management, sale, advertisement, alteration, reinstatement and repair of the Property provided always that the Supply Chain Member shall not be liable for any such use by the Beneficiary of the Documents for any purpose other than that for which the same were prepared and provided by the Supply Chain Member.

5.2 The licence referred to in clause 5.1 carries the right to grant sub-licences, shall be transferable to third parties and shall continue in force notwithstanding any termination of the Agreement or the Supply Chain Member’s employment under the Agreement.

5.3 The Supply Chain Member warrants that the use of the Documents pursuant to the licence granted pursuant to clause 5.1 shall not infringe the rights of any third party.

5.4 The Supply Chain Member waives absolutely all Moral Rights the Supply Chain Member may have in the Documents and/or the Supply Chain Activities and where it is not the author shall procure a waiver from the author of any Moral Rights the author may have in respect of the Documents and/or the Supply Chain Activities.

5.5 When requested to do so by the Beneficiary the Supply Chain Member shall provide to the Beneficiary copies of the Documents subject to the Beneficiary paying the [Supply Chain Member’s reasonable copying charges in connection with complying with such request.}
6  Assignment

6.1 The Supply Chain Member shall not without the consent of the Beneficiary assign its rights under this warranty.

6.2 The Beneficiary may (without the consent of the Supply Chain Member) assign its rights under this warranty:

6.2.1 to any mortgagee and by way of re-assignment on redemption;

6.2.2 to any Group Company;

6.2.3 on two other occasions only.

6.3 In this warranty references to the Beneficiary shall include where the context admits its permitted assignees but not so as to permit more than two assignments under clause 6.2.3.

6.4 The Supply Chain Member undertakes with the Beneficiary not to contend that any person to whom this warranty may be assigned will be precluded from recovering under this warranty any loss resulting from any breach of this warranty either by reason that the person is an assignee and not the original party to this warranty or by reason that the Beneficiary named in this warranty or any intermediate owner of the Beneficiary’s interest in the Property shall escape loss resulting from such breach by reason of the disposal of its interest in the Property.

7  Notices

7.1 Any notice to be given under this warranty shall be in writing and shall be deemed to be duly given if it is delivered to the parties’ registered office for the time being.

7.2 Notices may be served by:

7.2.1 personal delivery; or

7.2.2 pre-paid registered or recorded delivery mail; or

7.2.3 facsimile transmission (transmitted before 4.00 pm on a Working Day) and confirmed by first class pre paid post.

7.3 Notices and communications shall be deemed to have been served or received in the case of:

7.3.1 personal delivery on the date of delivery;

7.3.2 pre-paid registered or recorded delivery mail on the second Working Day after the notice of communication is posted;

7.3.3 facsimile transmission sent in accordance with clause 7.2.3 on the date and time the facsimile is successfully transmitted as evidenced by the sender’s facsimile transmission slip.
8 Miscellaneous

8.1 Nothing in this warranty shall limit or affect any other rights or remedies (whether under any contract, at law, at equity or otherwise) which the Beneficiary would have against the Supply Chain Member in the absence of this warranty.

8.2 The Supply Chain Member's liability under this warranty shall not be released, diminished or in any other way affected by:

8.2.1 the appointment by the Beneficiary of any person to survey the Property or to monitor the Supply Chain Activities or to inspect any documents relating to the Property and/or the Supply Chain Activities on behalf of the Beneficiary or the failure to appoint such a person; or

8.2.2 any approval or consent given or withheld or purported to be given or withheld by or on behalf of the Beneficiary.

9 Contracts (Rights of Third Parties) Act 1999

Nothing in this warranty confers or purports to confer any rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999.

10 Law

This warranty and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales and the parties hereby submit to the jurisdiction of the English courts.

This warranty has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.
In consideration of the parties to a Supply Chain Agreement dated [ ] (the \textbf{Supply Chain Agreement}) in relation to [ ], forming part of a Programmes undertaken by Contractors for the benefit of the Clients, accepting us as an Additional Supply Chain Member (as defined in the Supply Chain Agreement) and extending to us a duty of care pursuant to clause 9.2 of the Supply Chain Agreement, we [ ] extend to all such parties a duty of care under the Contracts (Rights of Third Parties) Act 1999 whereby we have all the obligations of a Supply Chain Member under the terms of the Supply Chain Agreement.

SIGNED  ........................................................................

For and on behalf of [ ]

DATED  ........................................................................
Schedule 10

Special Terms
## Document O – CITB Client-Based Approach Employment and Skills Outputs

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### Table: Supervisor Training for Tier 2/3 Subcontractors and Suppliers - persons

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### Table: Highways routine structures

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In this Appendix:

**BTEC** means Business and Technology Education Council

**CBE** means Construction in the Built Environment

**ILM** means Institute of Leadership and Management

**IOSH courses** means Institute of Occupational Safety and Health

**NEBOSH** means National Examination Board in Occupational Safety and Health

**NVQ** means National Vocational Qualification

**SMSTS** means Site Management Safety Training Scheme

**SSSTS** means Site Supervisor’s Safety Training Scheme

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1 **Work Experience Placement (16 plus years)**

The work experience placements are to support young people in full-time further education or seeking employment to gain experience in the construction industry. Work placements can support those undertaking the CBE Diplomas, BTEC and full-time craft courses. The minimum duration of a work experience placement should be 5 working days.

**Evidence:** Offer letter from either the project manager or employer detailing activity, plus attendance record and evaluation form.

**Outcome:** 1 individual represents 1 outcome.

2 **Work Experience Placement (14-16 years)**

The work experience placements are to support young people during their school education in years 10 and 11. This can include block placements as part of their statutory work experience placement or CBE diploma or BTEC courses. It can also include one day a week placement as part of a young apprenticeship or alternative curriculum. The minimum period is 5 days.

**Evidence:** Offer letter from either the project manager or employer detailing activity, plus attendance record and evaluation form.

**Outcome:** 1 individual represents 1 outcome.

3 **Construction Curriculum Support Activities**

This relates to curriculum support for construction specific courses. This includes carrying out workshops within schools or on site with students from schools or colleges, enabling the student to understand the practical applications of their studies.
Evidence: Confirmation from education establishment of individual employee contribution to classroom-based or site-based workshop activity.

Outcome: 1 individual involved in delivering a workshop activity represents 1 outcome.

4 Graduates

This target describes employment opportunities in relation to the Works for university students who have graduated within 3 years of the start of their employment. A search for courses can be made on www.bconstructive.co.uk and contact with higher education institutions offering the courses can be made through www.ucas.ac.uk.

Evidence: Copy of offer of employment from employer.

Outcome: 1 individual represents 1 outcome.

5 Apprentice Starts

This target describes recruitment of either traditional, specialist, displaced or adult apprentices to the project workforce. An apprenticeship outcome is defined as an individual pursuing a formal apprenticeship framework incorporating either NVQ level 2 or 3.

Evidence: Apprenticeship registration documents.

Outcome: 1 individual represents 1 outcome.

6 Existing Apprentices

An apprentice who is working on the project who is already employed by a Tier2/3 Subcontractor and Supplier or Tier 1 Contractor.

Evidence: Apprenticeship registration number.

Outcome: 1 individual represents 1 outcome.

7 Apprentice Completions

This target describes completion of a formal apprenticeship framework incorporating either NVQ level 2 or 3.

Evidence: completion certificates.

Outcome: 1 individual represents 1 outcome.

8 Jobs created on construction projects

This target describes the employment of individuals by the Tier 1 Contractor or supply chain. The target relates to those who are employed as trainees, or those previously unemployed. Individuals must be in employment for at least 12 weeks before they can be registered as an outcome.

Evidence: Copy of offer of employment. Confirmation letter from employer of 12 weeks employment.

Outcome: 1 individual represents 1 outcome.
9  **NVQ Starts for Tier2/3 Subcontractors and Suppliers**

This target describes NVQ starts at levels 2, 3, 4 or 5 for individuals working in the project supply chain, not directly employed by the Tier 1 Contractor.

**Evidence:** NVQ registration documents.

**Outcome:** 1 individual represents 1 outcome.

10  **NVQ Completions for Tier2/3 Subcontractors and Suppliers**

This target describes NVQ completions at levels 2, 3, 4 or 5 for individuals working in the project supply chain, not directly employed by the Tier 1 Contractor.

**Evidence:** NVQ completion certificates.

**Outcome:** 1 individual represents 1 outcome.

11  **Training Plans for Tier2/3 Subcontractors and Suppliers**

This target describes each instance of the creation of a supply chain company training plan. Assistance with compiling a company training plan can be given by both Business Link and CITB-ConstructionSkills.

**Evidence:** Company Training Plan.

**Outcome:** 1 Company Training Plan represents 1 outcome.

12  **Supervisor Training for Tier2/3 Subcontractors and Suppliers**

This target describes training activity leading to formal accreditation such as ILM qualifications. Detailed information on ILM courses is available at [www.i-l-m.com](http://www.i-l-m.com). Courses delivered against this target must be at least one day in duration.

**Evidence:** Completion certificate.

**Outcome:** 1 individual represents 1 outcome.

13  **Leadership and Management Training for Tier2/3 Subcontractors and Suppliers**

This target describes outputs involving individuals who wish to develop their leadership and management skills. Generic courses could include those linked with the Institute of Leadership and Management, Chartered Management Institute or alternatively training could be occupation specific. Courses delivered against this target must be at least a half day in duration.

**Evidence:** Completion certificate.

**Outcome:** 1 individual represents 1 outcome.

14  **Advanced Health and Safety Training for Tier2/3 Subcontractors and Suppliers**

Training which can be delivered against this target include SMSTS (5 day and refresher), SSSTS (2 day), NEBOSH or IOSH courses.
Evidence: Completion certificate.

Outcome: 1 individual represents 1 outcome.
Document Q – Employment and Skills Briefing Note

Part of the work under the Department for Transport's Highways Maintenance Efficiency Programme (HMEP) involves reengineering existing Long-term Contracts in order to enhance a main contactor's commitments to generating employment and skills opportunities.

This briefing note is supplemental to a Toolkit developed specifically for use by Authorities to incorporate employment and skills obligations into existing highways repairs and maintenance contracts. The processes may be considered as part of a wider Supply Chain Collaboration exercise or specific to one Authority's individual maintenance contract.

The principles underpinning the following processes are aligned to the CITB Client-Based Approach.

1 Outline process

The Authority will seek to agree with the Tier 1 Contractor a set of employment and skills outputs that are to be achieved over the duration of the contract term. The existing contracts should be amended to incorporate binding obligations which may also involve performance monitoring linking to achievement of KPIs and appropriate incentives.

The fourteen employment and skills areas include:

| Work placement (14 years plus) | NVQ starts for Tier2/3 Subcontractors and Suppliers |
| Construction curriculum support activities | NVQ completions for Tier2/3 Subcontractors and Suppliers |
| Graduates | Training plans for Tier2/3 Subcontractors and Suppliers |
| Apprentice starts | Supervisor training for Tier2/3 Subcontractors and Suppliers |
| Existing apprentices | Leadership and management training for Tier2/3 Subcontractors and Suppliers |
| Apprentice completions | Advanced health and safety training for Tier2/3 Subcontractors and Suppliers |
| Jobs created on construction projects |

1.1 Stage 1 – Authority commitment

To initiate the process, the Authority will need to have a clear idea as to what its employment and skills priorities are and the outputs that it wishes the Tier 1 Contractor to achieve. Benchmarked outputs have been created across the fourteen employment and skills areas, which are set according to the type of works being carried out and the remaining value of the contract. They have been developed from live project data and are proportionate to what the industry would expect such a project to support with minimal cost.
1.2 **Stage 2 – existing contract review**

The Authority will need to review its existing contracts to establish whether they contain employment and skills obligations and whether there is scope for the benchmarked outputs to be introduced.

1.3 **Stage 3 – identifying outputs**

Once appropriate contracts have been identified, the Authority will need to create an Employment and Skills Strategy, setting out its aims and priorities. It will also populate the "Summary" column of an Employment and Skills Plan, which identifies the employment and skills areas that are appropriate for the type and value of the contract.

In the event that a number of Authorities are jointly carrying out a Supply Chain Collaboration exercise, it will be possible to benchmark the employment and skills commitments across all the contracts and for other Authorities' requirements to be taken into account when establishing reasonable targets for a Tier 1 Contractor.

1.4 **Stage 4 – Tier 1 Contractor workshop**

It is essential that the Authority engages with the Tier 1 Contractor and its supply chain to explore and agree the scope for introducing or enhancing employment and skills outputs. Facilitating a workshop with the Tier 1 Contractor is an effective way to explain the Authority's aims and the procedures for implementation.

1.5 **Stage 5 – development of Employment and Skills Plan and Method Statement**

The Tier 1 Contractor should liaise closely with its key supply chain members to ascertain how the Authority's proposed employment and skills outputs can be implemented during the works. The Tier 1 Contractor will need to create an Employment and Skills Plan, to demonstrate to the Authority how the outputs will be achieved on a monthly basis. A Method Statement will also need to be created, to show how the outputs in the Employment and Skills Plan will be facilitated on site.

1.6 **Stage 6 – business case**

The next stage is for the Tier 1 Contractor to prepare and submit a business case, justifying the basis on which supply chain members have been selected and how the Tier 1 Contractor intends to meet the Authority's employment and skills requirements. If the Authority has reservations about the level of outputs that the Tier 1 Contractor has committed to, or about the ability of the proposed supply chain to support the outputs, it may request that the Tier 1 Contractor carries out a market testing exercise.

1.7 **Stage 7 – contractual provisions**

Once the Employment and Skills Plan, Method Statement, supply chain, performance monitoring procedures and appropriate incentives have been agreed, both the main contract and all relevant subcontracts will incorporate the enhanced commitments. The Authority's Employment and Skills Strategy and the Tier 1 Contractor's Employment and Skills Plan and Method Statement should become contractually binding documents.
1.8 Long-term commitments

The methods of achieving these employment and skills commitments can be refined and enhanced throughout the life of a Framework or Long-term Contract, with a focus on local opportunities. This may be by means of timetabled post-award exercises which reengineer the contract to provide best value.

2 What are the benefits?

There are clear benefits of reengineering existing contracts in order to incorporate enhanced employment and skills commitments, including:

- reengineering Frameworks and Long-term Contracts will underpin and maximise employment and skills commitments through local opportunities for individuals and SMEs and can combine these with savings, more efficient working practices, new ideas and more sustainable solutions;
- Authorities will have an opportunity to review supply chain procurement processes and influence the Tier 1 Contractor to use local employment and education intermediaries in a legally compliant way (without nomination), which is otherwise restricted at tender stage by the EU procurement regulations;
- CITB's industry approved benchmarks of employment and skills outputs give Authorities confidence that their requirements at procurement stage are achievable by the Tier 1 Contractor and proportionate to the type and value of the contract;
- engaging with the Tier 1 Contractor and its supply chain at regular intervals over the course of a Framework or Long-term Contract will enable employment and skills outputs to be refined and enhanced as the contract and circumstances develop; and
- successful outcomes will give a Tier 1 Contractor the edge over other contractors if the project is part of a wider programme of works awarded by the Authority.
Document R – Template Agenda for Employment and Skills Strategy Workshop

1 Introduction

1.1 What is HMEP?

1.2 What is Supply Chain Collaboration?

2 Employment and Skills Strategy

2.1 Why are we seeking to enhance employment and skills obligations?

2.2 What are our key aims and priorities?

2.3 Who within the Authority will be the champion and main point of contact?

3 Existing contracts

3.1 Which existing maintenance may be appropriate for reengineering employment and skills?

3.2 What are the existing commitments and how can they be enhanced?

4 Employment and skills outputs

4.1 Which set of the benchmarked outputs are suitable to the value of the proposed contract, in consideration of the remaining contract sum?

4.2 Which of the fourteen employment and skills areas will the Tier 1 Contractor and supply chain will commit to?

4.3 Overview of the process for dialogue with the Tier 1 Contractor and its supply chain in order to reach the agreed outputs and contractual provisions

4.4 Does the Authority have any connections with training providers, educational establishments and employment agencies, which it would prefer that the Tier 1 Contractor works with?

4.5 How does the Authority want to measure the performance of the outputs over the term of the contract - in line with existing KPIs or entirely new procedures?

4.6 Will achievement of the outputs be linked to KPIs or incentives?

5 Actions and responsibilities

5.1 Timetable for engagement with Tier 1 Contractor

6 Any Other Business
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1 Introduction

1.1 What is Supply Chain Collaboration?

2 Overview of Authority's Employment and Skills Strategy

2.1 Why is the Authority seeking to enhance employment and skills obligations?

2.2 What are the Authority's key aims and priorities?

2.3 Tier 1 Contractor's existing employment and skills commitments

2.4 Overview of enhanced benchmarked outputs and employment and skills areas

2.5 Training providers, educational establishments and employment agencies

2.6 Performance measurement through KPIs and/or incentives

3 What is an Employment and Skills Plan?

4 What is a Method Statement?

5 Costs related to employment and skills requirements

6 Identifying amendments to existing contracts

7 Timetable for engagement with key supply chain members

8 Any Other Business
Acknowledgements

The HMEP Programme Board would like to acknowledge the input of the following organisations for their work in preparing this toolkit:

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