

Area 9 Asset Support Contract

Service Information

Annex 14

Continual Improvement

SERVICE INFORMATION FOR ASC**ANNEX 14****CONTENTS AMENDMENT SHEET**

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14. CONTINUAL IMPROVEMENT

14.1 Purpose and Scope

14.1.1 This Annex sets out the *Employer's* minimum requirements in relation to the *Provider's* continual improvement of the delivery of all of the Services.

14.1.2 Continual improvement under this annex does not relate to improvements necessary for the *Provider* to achieve contract compliance, although it is recognised that a similar process may be used to correct any such non-compliance.

14.1.3 Continual improvement under this annex comprises four parts:

- (1) Outcome requirements
- (2) Strategic objectives
- (3) The method
- (4) Performance measurement

14.2 Outcome Requirements

14.2.1 The primary outcome from using continual improvement is the generation and realisation of reductions in the cost of delivering the Services for the benefit of both the *Employer* and the *Provider* as required by Clause 53 of the contract conditions.

14.2.2 An additional outcome is the improvement of quality in delivering the Services, at no additional cost to the *Employer*.

14.3 Strategic Objectives

14.3.1 The following strategic objectives in support of the above outcome are to be delivered by the *Provider*:

- Engagement of the *Provider's* executive leadership to ensure these continual improvement requirements are fulfilled
- Proactive management and engagement of the *Provider's* supply chain in support of reductions in the cost of delivering the Services enabled by a reduction in the supplier's cost charged to the *Provider*
- A systematic and prioritised approach to the improvement of all of the Processes and Sub-Processes contained in Annex 24 of the Service Information and included in the *Provider's* Quality Plan
- The identification of improvement opportunities that primarily have the potential to generate reductions in the cost of delivering the Services
- Realisation of the reduction in the cost of delivering the Services by a measurable reduction in the lump sum prices and the schedule of rates as provided for by Clause 53 of the contract conditions
- Realisation of other benefits that result in an improvement to the

quality of the Services, at no additional cost to the *Employer*

14.4 The Method

14.4.1 The *Provider* is required to execute the following method, although it is accepted that it may adopt, at its own discretion, additional methods to deliver the above outcome requirements and strategic objectives.

14.4.2 Lean is a method of delivering the above outcome requirements and strategic objectives, and is a way of doing more with less. It produces what a customer wants, when it is required, with a minimum of waste, and to a high level quality. Lean works through a relentless elimination of waste and reduction of variation.

14.4.3 The *Provider* uses Lean tools to systematically address, in a planned sequence, the Processes and Sub-Processes in its Quality Plan (as defined by Annex 24) in order to identify customer requirements, establish and optimise the execution of value adding activity, identify and minimise non-value adding activity, and eliminate waste.

14.4.4 The execution of continual improvement forms part of the role and accountability of the Executive Process Owner as defined in Annex 24 of the Service Information.

14.4.5 The *Provider* shall:

(1) DEPLOY A STRATEGIC USE OF LEAN

- Adopt Lean principles as part of formal strategic plans for the *Provider's* business including the Area Business Strategy
- Employ formal Processes for determining customer/client value

(2) ENSURE LEAN LEADERSHIP

- Ensure senior leaders and management within the *Provider's* organisation enthusiastically embrace the concept of Lean and support a transformation to a Lean culture in the organisation

(3) DELIVER CUSTOMER VALUE

- Ensure value streams of all stakeholder Processes have been mapped and value adding activities are identified and optimised
- Ensure critical interactions and interdependences are identified
- Ensure opportunities for minimising non value adding activity and eliminating waste are identified and realised

(4) ADOPT LEAN STRUCTURE AND BEHAVIOUR

- Revise policies and procedures to promote, encourage and support Lean behaviour
- Delegate decision making to lowest practical level, with appropriate training
- Encourage prudent risk taking
- Implement a comprehensive programme of innovation/improvement

initiatives and measure their impact

- (5) ENSURE PROCESS FLOW
 - Design Processes along value streams encouraging customer/client pull with minimum waste
 - Minimise travel distance or time delay
 - Ensure continuous flow through all value streams
 - Ensure demand is aligned to customer pull in order to provide a balanced workload with minimum stock levels
- (6) CREATE STANDARD WORK PRACTICES
 - Standardise Processes across sites and departments
 - Standardise tools and systems used throughout the *Provider's* organisation
- (7) ENSURE PROCESS CONTROL AND QUALITY
 - Reduce Process variation throughout the *Provider* organisation
 - Analyse the root cause of defects and nonconformities, implement corrective action and update Processes with lessons learned
 - Ensure all Processes include mistake proofing with preventative measures maintaining optimal Process conditions
 - Delegate authority for quality to lowest practical level minimising secondary inspection
- (8) ENSURE PLANNING DESIGN AND CONSTRUCTION TAKES ACCOUNT OF CUSTOMER/CLIENT REQUIREMENT
 - Continually evaluate customer/client needs with formal feedback
 - Ensure customer/client is represented on integrated product/project teams
 - Integrate planning/design/construction teams
 - Identify and quantify priorities of downstream stakeholders
 - Ensure services to sites designed to be in line with demand usage to minimise inventory
- (9) DEPLOY EFFECTIVE EQUIPMENT MAINTENANCE
 - Ensure equipment is in a condition to contribute to quality and provide a high level of availability. Keep records of defects to target proactive maintenance
 - Ensure employees have full ownership and care for processes and maintain Process performance
 - Evaluate repair/maintenance schedules in line with available capacity and ensure risk contingency
- (10) MAINTAIN EFFECTIVE SUPPORTING INFRASTRUCTURE
 - Ensure financial/measurement system supports Lean transformation and is readily accessible to stakeholders

- Ensure information systems are easily accessible and compatible with stakeholder communications and analysis needs
- Ensure personnel practices make suitable skills available
- Ensure education and training programmes support the needs of the enterprise transformation plan
- Make resources and support available to employees to contribute to Lean improvement
- Develop supply chain small enough to be effectively managed
- Define develop and integrate supplier network to ensure efficient creation of value for enterprise stakeholders

14.4.6 In carrying out the above Process the *Provider* shall assist and enable its supply chain in the adoption of Lean methodologies and approaches, and engaging in lean improvement projects.

14.4.7 The *Provider* refers to the *Employer's* Managing Down Cost Toolkit to identify and consider continual improvement opportunities.

14.5 Performance Measurement

14.5.1 The *Provider* shall record and measure the benefits realised from the execution of continual improvement process in accordance with the *Employer's* Lean Benefits Realisation Guide.

14.5.2 The *Provider* shall:

- Capture and record the reductions in cost fulfil the requirements of Clause 53 of the contract conditions
- In addition to and separate from Clause 53 Efficiency Improvements, capture and record any other benefits
- Ensure results are recorded showing general details about the improvement, planned/targeted benefits, and actual/realised benefits with supporting calculations
- Review and report on performance on a monthly basis

14.5.3 The *Provider* shall adjust its delivery of continual improvement Process based on lessons learned from the measurement of its performance.