

## SCHEDULE 2

### TENDER BRIEFING NOTE

#### INTRODUCTION

##### Purpose of this document

This Tender Briefing Note has been produced for the Transformation Delivery Partnership Contract to help potential Tenderers understand the opportunity. It provides a summary of the objectives of the Transformation Delivery Partnership and provides the market with key information needed to inform a decision on whether to express an interest in tendering for this Contract. It is provided for information purposes only and forms part of the procurement documents for the Transformation Delivery Partnership Contract.

The approach described in this Tender Briefing Note and any timescales presented may be subject to change during the procurement process.

##### Overview of the Transformation Delivery Partnership

Roads Investment Strategy 2025 -2030 (**RIS3**) focuses on National Highways transforming from being a network operator that designs, builds, operates, and maintains infrastructure, to a service provider that monitors, assesses, plans and intervenes in ways that make sense for its customers.

By 2030, we should be recognised as a service provider for our customers and delivering this through targeting six key themes:

- **Theme 1: Integrated and flexible capital delivery** - Delivering Efficiently: supporting our suppliers and delivering consistently to the right quality and keeping the road safe and effective with minimal closures.
- **Theme 2: Supply chain aligned to new delivery model and NH ambitions** - Being great to do business with: long term, valued and reliable supplier partners with strong relationships and clear visibility of upcoming plans.
- **Theme 3: Mature asset lifecycle ownership** - Owning well maintained assets: plans timely proactive and cost-effective asset management.
- **Theme 4: Digitally enabled organisation that delivers on business requirements and customer expectations** - Integrating digital and data: innovative sector leader who adopts the right technology, take data-driven decisions and uses technology and data to improve our customers' experience.
- **Theme 5: Proactive control of our network** - Getting the most of our network: moving from reactive network interventions to proactive network management with better planning and standard processes to maximise network capacity and customer experience.
- **Theme 6: Environmental sustainability deeply embedded in what we do** - Environmental champion: evolves, innovates and leads the sector to minimise environmental impact and be trusted to genuinely deliver on the environment by embedding sustainability in all decision making.

(the **Six Themes**).

The key objective of the transformation programme is the tangible improvement in National Highways' performance in relation to the Six Themes. Efficiency targets and delivery challenges will be stretching. National Highways therefore needs to transform the way the organisation works – creating agility and flexibility at an enterprise level to create the capacity and efficiencies needed to hit our targets.

Building on an approach successfully used in Operations through RIS2 (known as Operations Excellence 2025), we will establish an integrated, centrally led transformation programme with the following design principles:

- Led by National Highways employees from across the company, with the Transformation Delivery Partnership supporting the activity
- Overseen by one Transformation Management Office (TMO) coordinating and maintaining the single source of the truth through a single way of working across all themes with a clear governance structure.
- Focussed on truly cross-cutting initiatives that impact across multiple directorates and functional areas of our business
- Building capabilities and ensuring change is fully embedded and sustained becoming business as usual
- A focus on long-term transformation and measurable outcomes rather than short-term cost savings

This transformation programme is a self-financing model, with a focus on delivering efficiency targets in both capital and operational expenditure within the RIS3 settlement. The investment made will be recovered from the value of efficiencies made through delivering the transformation programme within the 5-year period. The centralised Transformation process will enable:

- Reduced / eliminate duplication and wasted effort
- Transparent decision making across the organisation, driving the process through clear escalation routes
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To help us achieve the delivery of our ambitious, single transformation programme for RIS3, National Highways requires support from a Transformation Delivery Partnership. The Transformation Delivery Partnership Contract will provide a centralised vehicle for transformation and change in National Highways that will drive forward a central approach across the whole of National Highways to ensure holistic departmental transformation. The Transformation Delivery Partnership will challenge, advise, and support National Highways as it develops, implements, embeds and realises the benefits of the transformation programme, whilst leaving a sustainable legacy of change and improved capability throughout the company.

## **Role of the Transformation Delivery Partnership**

National Highways is seeking a Transformation Delivery Partnership with the breadth of experience and capability to support change across all of National Highways' services. Through the procurement of a single strategic transformation partner the number of outsourced transformation and change support services will be reduced.

National Highways needs a Transformation Delivery Partnership who can demonstrate progressive and collaborative behaviours, working with others to deliver sustainable change. We need to work with others in our business and our supply chain to deliver the level of transformational change required to meet the organisational efficiency targets; the capability to bring stakeholders along as the transformation progresses will be essential to success. National Highways is also keen to ensure that the Transformation Delivery Partnership will work with, and engage suppliers of all size, with particular focus on the engagement of SMEs for their niche abilities and specialisms.

The Transformation Delivery Partnership will ensure there is knowledge transfer and capability build to all National Highways staff involved in the project delivery; the aim is that the Transformation Delivery Partnership advises and designs the changes and National Highways delivers them.

As such the Transformation Delivery Partnership should provide:

- a diverse supply chain with deep, broad skills and world-class experience;
- an ability to deliver and joint responsibility for transformation outputs and outcomes, and plans to make change permanent; and
- proven experience and understanding relevant to our scale of ambition and challenges that we face.

## **DEFINITIONS**

Any capitalised terms that are used in this Tender Briefing Note but not defined shall have the meaning given to them in the SQ Instructions.

## **COMMERCIAL STRATEGY**

### **Commercial Model Principles**

Working with the Transformation Management Office (TMO), the Transformation Delivery Partnership will be issued with Task Orders to meet the requirements of the transformation programme. The Task Orders will be priced as lump sums to deliver specific scopes of work in relation to the Six Themes of the Transformation Programme [ in a context of strategic organisational change?].

Specific measures will be set to both verify and ensure Task Orders are completed and benefits realised.

The Transformation Delivery Partnership Contract supports achievement of the RIS3 efficiency challenge and is expected to deliver approx. £11 return on investment for every £1 spent. The intention is for the transformation programme to be nominally self-funding with new Tasks Orders issued where proposed savings exceed costs. As work is commissioned on a task-by-task basis, future work can be discontinued where the Transformation Delivery Partnership fails to deliver the proposed savings on previous tasks.

The Contract will provide a centralised vehicle for transformation and change in National Highways. Investment decisions will be agreed for separate projects or programmes, which will be given separate tasks under the contract. This enables budgeting decisions on the merits of individual projects or programmes as they materialise, rather than relying on a single budget decision for the full Contract value.

Tasks that are not concerned with cost savings will have success measures agreed up front to ensure benefits realisation.

### **Cost Management**

The costs will be controlled by having a defined scope for each Task Order priced on a lump sum basis. The lump sums will be calculated using the price information taken from the commercial workbook, submitted as part of the Transformation Delivery Partnership's tender. Payment will be made in accordance with the NEC4 Professional Services Short Contract. A forecast cost to completion will be maintained ensuring that the overall total of works commissioned stays within budget.

### **Incentive Mechanism**

Incentive Mechanisms will follow the NEC4 Professional Short Services Contract. The Transformation Delivery Partnership will be paid for delivering the scope of the Task Order; failure to do so becomes a defect which is either corrected by the Transformation Delivery Partnership or corrected by others at the Strategic Transformation Partnership's expense. Alternatively, the defect can be accepted, and the Price reduced. In any event, payment is only made for completed activities, and

the Transformation Delivery Partnership Contract can be terminated if the Supplier substantially fails to comply with its obligations.

### **Work Allocation**

The TMO will authorise Task Orders and define the deliverables that are required. The TMO will act on behalf of all parts of National Highways' business to commission and co-ordinate transformation activities through the Contract. All work will be delivered through integrated and collaborative working groups between National Highways and the Strategic Transformation Partnership.

Roles and responsibilities will be established before Task Orders are commenced and clarification will be provided as the work progresses.

For each Task Order, National Highways will have regular check ins to ensure all key parties are up to date on progress, progress remains on track and all risks/issues are surfaced and discussed proactively. At programme level, there will be at least weekly check ins. Discussions will be supported using the Integrated Delivery Roadmap which will be managed and owned by National Highways.

## **CONTRACT TERMS**

### **Contract Terms**

The Transformation Delivery Partnership Contract will be based on the NEC4 Professional Services Short Contract including bespoke National Highways requirements. Contract Data and the Scope will be issued with the ITT.

The estimated value of the contract is £43m for 3 years with an option to extend by up to an additional 2.5 years and a maximum value of £75m.

Key features of the Transformation Delivery Partnership Contract are:

- National Highways bespoke Z clauses will be used
- Work will be issued as Task Orders under the contract
- Each Task Order will be priced on a Lump Sum basis
- It will run for a maximum period of five and a half (5.5) years, consisting of three (3) years with an option for National Highways to extend it in increments or as a whole for a further two and a half (2.5) years.
- Detail on the required insurances can be found in the SQ
- The services will be performed to a standard of reasonable skill and care

The task-based approach enables the specific scope of work to be refined between Contract Award and the issuance of Task Orders, including the setting of specific milestones and deliverables. Task-based activities enable easier monitoring of progress and implicit incentivisation; if a task results in poor deliverables or poor performance, future tasks may be withheld until the Transformation Delivery Partnership demonstrates how the failure or performance will be rectified.

National Highways makes no guarantees that the total value of tasks will utilise the maximum contract value.

Offered prices will be subject to price adjustment based on an index. Further details will be provided in the tender documents.

Compensation Events are managed through the standard terms of the NEC4 Professional Services Short Contract. As work is issued through task orders of limited scope and duration, the opportunities for unexpected Compensation Events are limited.

As work is task-based, National Highways may not issue tasks if the Transformation Delivery Partnership Contract fails to deliver an appropriate level of service.

## **MANAGING CONFLICTS, THE DATA ROOM [AND REFERENCE DOCUMENTS]**

### **Conflicts of Interest**

All Suppliers are required to sign National Highways' Managing Conflicts Agreement for the Transformation Delivery Partnership and return a signed copy through the eSourcing portal. This requires Suppliers to take appropriate steps to ensure that neither they, their affiliates, subcontractors or representatives are in a position where there could be a conflict of interest between their pecuniary or personal interests and the duties owed to National Highways under any contract related to this procurement or to run an open and transparent ITT Process. This includes where they may have or have had access to information which could provide them with an advantage and render an otherwise genuine and open competitive ITT Process, unfair.

Suppliers should refer to clause 1.2 of the Managing Conflicts Agreement for details of the steps that need to be taken, including:

- not assigning any identified Conflicted Personnel to their bid team at any time; and
- providing National Highways, at the earliest opportunity or as part of their SQ response, with a list of their Bid Team and any Conflicted Personnel.

(Suppliers should refer to the Managing Conflicts Agreement for the definition of Conflicted Personnel.)

National Highways shall confirm prior to the publication of the ITT whether it accepts the bid team or whether it considers any member of the bid team are or may be Conflicted Personnel and must be removed from the bid team.

The Managing Conflicts Agreement also requires Suppliers to notify National Highways in writing where there is any indication that a conflict of interest, or potential or perceived conflict of interest exists or may exist, giving full details of the conflict for National Highways' consideration and approval. Such notification should include any risk assessments undertaken, the impact or potential impact of the conflict, any measures and arrangements that have been or will be taken and the Applicant's plan to prevent potential conflicts from arising.

National Highways will be the final arbiter on issues of conflicts of interest. Where in National Highways' reasonable opinion a Candidate or Tenderer has failed to comply with provisions of the Managing Conflicts Agreement, National Highways shall be entitled to exclude the relevant them from the procurement process and/or impose such other steps as it considers necessary.

## **PERFORMANCE MANAGEMENT**

### **Procurement Scorecard**

Supplier's performance will be measured using National Highways standard Collaborative Performance Framework for non-roads activity.

The Collaborative Performance Framework includes standardised measures on health, safety & wellbeing, customer service and delivery of contract requirements.

Performance scores are collected quarterly and are marked from 1 to 10. A score of 6 is the baseline and any score lower than 6 will result in a rectification plan being agreed with the Supplier.

Where the agreed rectification is not put in place within the agreed timescales and performance continues to be below 6, National Highways reserves the right to terminate the Transformation Delivery Partnership Contract.

In addition, National Highways will also have full control of the allocation of new tasks to the Supplier. Where there are genuine concerns about the supplier's performance, National Highways may postpone the allocation of new Task Orders until the underlying cause is rectified and redirect work through alternative procurement routes.

### **Balance Scorecard**

In accordance with PPN 06/21, Bidders will be required to produce a carbon reduction plan as part of their response to the selection questionnaire.

Once in contract, National Highways will seek to ensure that all performance is balanced on cost, quality, and social and environmental indicators [ensuring that the solution drives wider economic and environmental solutions?].

As part of the ITT, Tenderers will be tested on social value in accordance with PPN 06/20. Once in contract, the successful Supplier will be required to report on their social value tender commitments.

The Transformation Delivery Partnership Contract requires that the successful Supplier prepares an employment and skills plan to build capability in the workforce and that they deliver at least one apprenticeship for every £3m of contract expenditure.