

Overview

Capability and readiness assessments are to satisfy an organisation that they have the ability to win a contract and the ability to deliver a contract, through the process of identifying any gaps and developing plans to address those gaps.

This information sheet sets out introductory information on the following:

- ◆ Assessing the requirements
- ◆ Considering capability
- ◆ The benefits of an honest assessment

We also explain how the Hinkley Supply Chain Professional Services Group can assist you in bid management and bid writing.

Relevance

Hinkley Point C is a nationally critical infrastructure project, the construction of which will last for over 10 years. Service and construction contracts will run for many years and hence the opportunities for the supply chain are likely to exist and persist for much longer than in a typical construction project. The opportunity to benefit and grow from the catalyst provided by Hinkley Point C is a 'once in a generation' opportunity which should be grasped.

As such, a competitive environment is expected and those that are able to develop or assemble a credible and capable offering, ready to deliver, will be the ones to benefit from the opportunities which such a project offers.

Understanding the requirements and assessing capability will provide an informed position and strategy to ensure readiness in delivery to the demands of EDF Energy and their Tier 1 partners.

What?

Assessing the requirements

It will often be necessary for suppliers to assess the requirement and prove their capability as individual suppliers or as a collaboration before they are issued with any tender. It is therefore essential that all aspects of the requirement are considered before the decision to bid is made. The following elements should be considered:

- ◆ Do you currently fulfil all of the 'must-have' elements of the requirement, for example in terms of skills and experience; plant and equipment requirements; manpower and financial resources?
- ◆ What about the 'nice-to-have' elements of the requirement? Can you evidence most of these and also perhaps have better/other alternatives that you would like to demonstrate?
- ◆ Ensure you fully understand the size and scale of the requirements and make a sensible assessment of your capacity to deliver to the timescales involved and for the duration of the project. You may need to consider how you could scale up and down appropriately to address fluctuations in demand.

For more information and other fact sheets

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- ◆ Ensure that your claims of capability, capacity, customer service and support would stand up to independent scrutiny. For example, do you have the necessary accreditations in place? Perhaps you may need to consider ISO accreditation or similar.
- ◆ Consider how you will develop the bid. Will it be in isolation or will you seek to partner with other companies to better enhance your submission? Who will lead on the bid? If a consortium, how should decisions and conflicts of interest be managed?
- ◆ Consider the core values that EDF Energy abide by and assess, where they apply to your business and if they don't yet, how you can implement them:
 - ◇ **Humility** — recognising there is always opportunity to learn from others and improve.
 - ◇ **Respect** — valuing people, safety, the environment and the rules under which we operate.
 - ◇ **Positivity** — being an energiser and focussing on solutions when faced with challenges.
 - ◇ **Clarity** — knowing how far we've come, how far we've got to go, and how we're going to get there.
 - ◇ **Solidarity** — being one team, working closely together and helping each other.

Considering organisation capability

Having fully assessed your capability to deliver to the tender either as an individual or as a consortium it is then essential to critically assess the business strategy for the ongoing delivery of the project. Considerations should include:

- ◆ Staffing levels and required skills in both the short and long term.
- ◆ How will you address any gaps in your workforce/skillset? You may decide to recruit, train, redeploy or perhaps collaborate with other companies. You should not shy away from such collaborations as often these can work very efficiently in large-scale projects such as Hinkley Point C.
- ◆ Working on a nuclear site requires everyone to be focused on meeting 'zero harm' targets and there will be a greater need to adhere to strict procedures. Changing the culture of your business to meet the quality standards and behaviours on a nuclear site might be challenging. Increasing your understanding of EDF Energy, your client and the nuclear safety culture will help.
- ◆ Maintain the training, engagement and rewards packages to ensure your people are equipped with the skills and qualities to sustain performance for the duration of this long term project.

Considering financial capability

The following elements should be considered initially and periodically throughout the life of the project to ensure you have fully explored the financial implications:

- ◆ The business needs to be able to fund the additional working capital requirements and any capital investment required.
- ◆ The previous three years' accounts need to demonstrate that the business has been sufficiently profitable in the past as they will be relied upon when an assessment is being made. Any significant changes will require an explanation.
- ◆ A detailed projection for the next 12 months should be available and should give a realistic assessment of the future. This should be incorporated within the business plan that will need to be prepared to demonstrate the viability of the bid. An outline would also need to be shown for the next two or three years.

- ◆ Banking facilities must be sufficient. Will the business require additional funding from the bank and, if so, it is critical that this is in place.
- ◆ Any breach of banking covenants will need to be adequately explained.
- ◆ The business should have a good credit history or, if this is not the case, be able to provide explanations of how these issues have been addressed. Any ongoing disputes should be resolved if possible or, if not, full explanations should be available including how the issue will be mitigated to reduce or eliminate the impact on this project.
- ◆ It may be that some of these issues are best addressed by the creation of a new business structure through which the project would be operated. This is something to consider in conjunction with your professional advisers.

Insurance and security requirements

Adequate insurance should be in place. In particular, the following insurances are usually required:

- ◆ Product liability;
- ◆ public liability;
- ◆ employer's liability;
- ◆ professional indemnity (if you are designing or advising); and/or
- ◆ all risk (if you are involved in construction).

EDF Energy and/or your client might require you to provide a performance bond. Performance bonds are typically:

- ◆ short agreements;
- ◆ for an agreed amount for which be based upon factors linked to the nature of the service and the standing of the bidding organisation; and
- ◆ usually expire once the works are complete and/or any liability periods have expired.

Banks will charge for providing bonds, the alternative is an insurance based product where an annual premium is paid.

Why?

The benefits of an honest assessment

A clear focus on 'bid to win' – although seemingly obvious that phrase should be kept at the forefront of prospective suppliers' minds. Suppliers should objectively review capability and bid position and adapt the bid strategy and approach accordingly, ensuring efforts are coherently focussed on the right goal.

For example:

You may be able to bid for a great opportunity, but there may be a clear competitor with a significant chance of success compared to your current position, your options:

1. Bid with no change (high chance of lost time and effort – perhaps a bad choice).

1. Adapt the strategy and increase effort to play to your strengths (a useful exercise, but time and effort required should be countered with the increased chance of success – a better choice maybe).
2. Seek to collaborate with one of the identified competitors (effectively bidding your strengths to them, yes reducing the monetary value of the opportunity but also reducing your time and effort costs – a small slice of pie is better than no pie at all).
3. Or, as much as it can sometimes hurt, decide after assessment that you should ‘no bid’ the opportunity in order to focus on other opportunities (a justification of better time-value elsewhere).

If you have carried out the pre-tender due diligence discussed above your decision will be easier as to whether to tender alone, with others or not at all.

Where next?

The Professional Services Group is a **collaborative group of key professional service providers** in the region that have been briefed on the project and understand the processes involved in the bidding, winning, mobilisation and delivery of contracts, either with EDF Energy or Tier 1 contractors.

The Professional Services Group, **co-ordinated by the Hinkley Supply Chain Team**, is able to offer critical services to suppliers seeking support, through their collective expertise in: **Accounting and Finance, Legal Services, Human Resources, and Project Management.**

We have experience of assessing capability and developing a strategy with action plans to grow organisations and assemble winning teams, and can assist you with information and advice that you will need to develop your capability and readiness to deliver.