1. Purpose

1.1 To seek board support for the development of more effective supplier assurance arrangements for the GB rail system (including TfL), which builds on recent activity to deliver basic improvements. Implementation of the proposed strategy has the potential to deliver significant benefits to clients, suppliers and the rail system as a whole by making a contribution to cost efficiency and safety improvement.

2. Why is supplier assurance important?

2.1 It underpins every organisation’s Safety Management System (SMS) and provides the confidence in the products and services that are procured. Over the last 20 years since rail privatisation, a variety of different supplier assurance schemes and arrangements have been developed by different organisations across GB rail, largely driven by duty holders’ needs to have some form of assurance mechanism in the new contracting environment. LUL and TfL have also developed their own separate arrangements.

2.1.2 This has led to confusion and a considerable degree of frustration in both the buyer and supplier communities with often duplicative information being sought from suppliers and repetitive audits of the same suppliers, many of which were determined and undertaken on a commercial basis, rather than one based on risk and performance.

Research undertaken with the board’s approval identified that this approach and the sum of all third party and in-house industry arrangements, was costing industry in the order of over £100m per annum and consuming 1,000 person years of effort.

2.2 Following a review by RSSB, the board has sanctioned a number of actions which have delivered the following improvements:

- A guidance document to define the role and purpose of existing schemes and arrangements has been published to improve stakeholder understanding.
- A single industry catalogue has been developed to describe the full range of products and services procured by GB rail. This is a necessary enabler for future developments.
• Control over the registration and qualification of suppliers, together with ownership of IPR and supplier data has been transferred back to industry ownership from third party commercial interests, with the RISQS board established to provide governance.
• Some limited recognition of other schemes and relevant third party certification has reduced the number of audits and associated costs.
• Operational control links established between Network Rail’s ‘Sentinel’ scheme and RISQS, with a staged migration of a number of ‘On Track Plant’ (OTP) requirements to RISAS planned.
• Some efficiency improvements have been delivered to RISQS, including the rationalisation of supplier qualification information requirements and a streamlining to the scope and depth of audits, underpinned by a new IT platform.
• The scope of critical commodities covered by the RISAS scheme is increasing.
• A new Rail Industry Standard (RIS) to define future supplier assurance requirements for industry is being drafted, to update and replace the current Group Standard, GM/RT/2450 and ATOC’s ACOP 1003 standard.
• All of these developments are compatible with International Standards for Accreditation and Conformance Certification.
• The board approved the appointment of a RISQS scheme manager earlier in 2014, to be funded from the proceeds of the scheme. However, this appointment was not progressed until the formal contract between RSSB and Achilles, the current service provider, had been negotiated and signed. This new contract has now been signed and the appointment is being progressed with the RISQS board and will be an important management resource to support the future developments outlined in this paper.
• The newly signed contract runs until April 2017 thereby creating a “window of opportunity” in which the RISQS and RISAS boards wish to work together to deliver the strategic approach outlined in section 4.

3. Characteristics of GB rail’s supply chain

3.1 GB rail’s supply chain is both national and international, comprising some 250 buyers procuring from a common supplier base numbering in excess of 3,000 companies, whilst some suppliers to industry are of course also buyers in their own right too. However, whilst to a large degree they are trading in this shared commercial environment, they still tend to do their own thing in the absence of a common strategy, leading to overlap and duplication.

3.2 The importance of effective supplier assurance is also being increasingly recognised by other sectors and the BSI published ‘PAS 7000’ in October 2014. This is a universally applicable supply chain information standard for use by suppliers and buyers at organisations of all sizes across the globe, enabling alignments of supply chains and control of risk by adopting an internationally defined framework of good practice for supplier assurance.

3.3 We are not unique and from working to understand other sectors’ approach to assurance of suppliers, including nuclear, oil and gas and construction, they too are facing similar challenges to GB rail and have developed, or are trying to bring about similar solutions and therefore there is opportunity and benefit in a
A collaborative approach being taken to address these challenges and this is being progressed.

4. Proposed strategic direction

4.1 The RISQS and RISAS boards have agreed to work together to develop and implement the following framework for future supplier assurance across GB rail:

- A single supplier assurance governance body, to be formed by the merging of the RISQS and RISAS boards.
- Unified supplier assurance and management arrangements for GB rail, where the key stakeholders define the capability and competence standards for suppliers of goods and services.
- Risk based assurance arrangements, defined for every commodity procured thereby creating clarity amongst the buyer and supplier communities as to what level of assurance is relevant and required.
- Core information about each supplier collected 'once', minimising duplication and reducing costs.
- Monitored supplier performance and feedback processes in place to improve outcomes and develop mutually beneficial trading partnerships, thus encouraging continuous improvement by suppliers and enabling greater innovation.
- Supplier assurance co-ordinators, nominated by the buyer and supplier communities to ensure alignment of interests and objectives.
- A single central repository of information established for all stakeholders to access the information they need.
- Easier entry for suppliers new to the GB rail sector.

4.2 This will also secure the following benefits:

- A reduction in total costs.
- A single GB rail entry point for suppliers.
- Simplification of processes
- Elimination of duplication.
- Easier to trade with GB rail for new suppliers, including SMEs.
- Benchmarking of supplier performance.
- Enabler of product and service quality improvement.

4.3 The next steps, subject to the board’s support for the strategic direction proposed, is for the RISQS and RISAS boards to develop a joint plan, together with an assessment of the resources required and the associated costs. In addition to the strong support from the RISQS and RISAS boards, ATOC (through its ‘Supply Chain Forum’) and RIA are also supportive of the approach. They have recently undertaken a joint study into how to encourage supply chain excellence, which is highly relevant to this proposal. The support of the RDG and RSG will also need to be secured and is regarded as vital in order that the plan is championed at the highest levels in the industry. Assuming the board support the proposal, the strategy will also form one component of the proposed industry safety strategy.
5. Recommendations

5.1 The board is asked to:

**NOTE** the current status of supplier assurance in GB rail and **APPROVE** the direction jointly proposed by the RISQS and RISAS Boards.

**NOTE** that if not supported, the RISQS and RISAS boards will carry on operating the existing schemes and replace them with updated, but functionally similar arrangements in 2017.