

Driving innovation through
public procurement



Foreword by Ian Pearson, Economic Secretary to the Treasury, and Lord Drayson, Minister of State for Science and Innovation

“Innovation in public services is essential to meet the economic and social challenges of the 21st century. For the public sector, innovation is above all about effectiveness and value for money. Innovation gives us the potential to create better value for money by contributing to better quality public services, reduced costs and faster achievement of benefits.

With nearly a third of public spending going on purchasing goods and services, the Government is uniquely placed to drive innovation in the economy.

Government can use its purchasing power as a powerful incentive for business to develop innovative products, processes and services.

The challenge for every Government department is therefore to look at innovation as a tool to transform public services and potentially create new markets.

This short guide shows public procurers how to foster innovation at each stage of the procurement process in order to achieve benefits for the public purse and wider economy.”

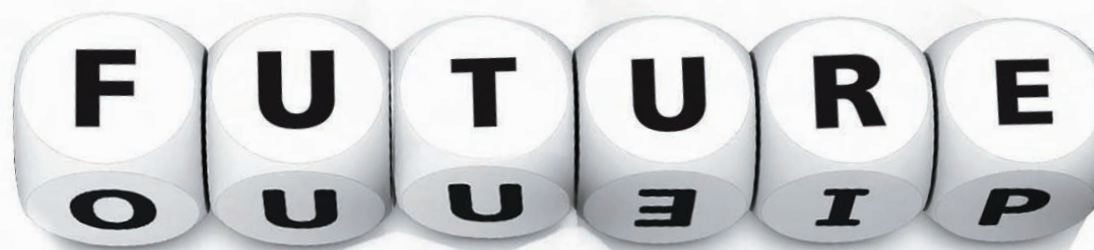


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Economic Secretary to the Treasury



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Introduction



Innovation is more than science or research and development. From a public procurement perspective, innovation includes:

- innovation in the design and delivery of public services;
- the procurement of innovative products and services;
- innovative procurement processes and models.

Public procurement has a key role to play in achieving the Government's objective of making the UK the best place in the world to be an innovative business or public sector or third sector organisation. Annual expenditure of around £175 billion on goods and services presents the public sector with a huge opportunity to use its purchasing power to promote and encourage innovation. To maximise the potential to make a difference to our national performance on innovation, public sector organisations need to consider innovative solutions for their everyday business and to address innovation professionally in the procurement process.

This guide illustrates the positive steps that procurers can take at the various stages of the procurement process to encourage innovation. It shows how innovation can be addressed in a way that is consistent with value for money and the legal framework for public procurement, which is based on EU Treaty open-market obligations and the UK Regulations implementing EU Procurement Directives¹. It seeks to encourage public sector organisations to be intelligent, demanding customers and open to new ideas.

For more detailed information on the principles for finding and procuring innovative solutions, please consult the OGC / DIUS publication "Finding and Procuring Innovative Solutions".

[http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_\(3\).pdf](http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_(3).pdf)

That publication builds on the earlier OGC/DTI publication Capturing Innovation, http://www.ogc.gov.uk/documents/capturing_innovation.pdf

For an overview of public procurement, see Introduction to Public Procurement, which is available on the OGC website.

http://www.ogc.gov.uk/documents/Introduction_to_Public_Procurement.pdf

Innovation Procurement Plans

Departments should be thinking about procurement strategically and planning ahead. Every department should have a commercial strategy setting out how it expects to use procurement – and innovate through procurement – to meet its business objectives. The 2008 Innovation Nation White Paper called on each department to have an Innovation Procurement Plan (IPP)².

The IPP should be linked to the department's commercial strategy, and should specifically show how the department plans to harness innovation in its

procurement. Having been signed off at Board level, the IPP will show where top management considers innovation, in what it buys and how it buys, most likely to be beneficial to the department's business.

Benefits could be achieved in a number of ways. For example, they could come from the way the department commissions for public service outcomes, the way it runs major procurement-related projects, its approach to markets where it is a significant buyer, or its participation in collaborative deals for the procurement of commodity goods and services.

Much of the value of the IPP will come from the thinking that goes into its preparation but it will also help the market and stakeholders, internal and external, to understand the department's plans³.



Client capability

Organisations that act as capable clients are better able to harness supplier innovation through effective procurement.

All the practices and professionalism described in this guide contribute to innovation-harnessing capability. In this section, we note the following points to help get the best from suppliers.

Ministers and senior officials need to set the conditions for success, which include: strong leadership, effective planning, and clear, realistic setting of objectives. A professional, cohesive approach to policy formulation, programme/project management and procurement is essential.

There should be consistent application of best practice, including:

- use of cross-functional teams to ensure policy, project and procurement teams work together in fostering innovation;
- effective risk management⁴ as innovation and risk often go hand in hand;
- deployment of skilled personnel in key roles concerned with capturing innovation;
- an organised approach to learning from experience.

Organisations gain advantage through their ability to innovate and improve, driven by pressure and challenge from strong rivals, dynamic suppliers and above all from demanding customers. For mutual benefit to industry and the public purse from the fulfilment of public sector needs through procurement, Government organisations must be demanding customers – challenging suppliers in new ways and driving new ideas. The good practices in this guide can help achieve that goal.

Innovation can take the form of inventions, new technology, new processes and good ideas. Ideas can come from stakeholders, employees or the interaction of employees and suppliers, as well as suppliers themselves. Research suggests that the public sector does not always get the best innovation from suppliers, partly as a result of public sector procurement practices and partly as a result of hurdles that suppliers encounter in marketing to the public sector.

Some of the key issues contributing to the problem include:

- **Inadequate warning:** The public sector is not always good at communicating long-term plans to the market. If the start of the formal tender process is the first indication a supplier receives of a complex requirement, the timescales are likely to be too short for innovative solutions to be developed.
- **Risk aversion:** The public sector may seek to stimulate supplier innovation through short-term pilot projects but often does not carry through the ideas into longer term procurements. There is a tendency to opt for low-risk solutions, low-margin players and mature technology – innovation is not consistently welcomed or rewarded. Risks **can** be embraced so long as they are effectively assessed and managed.
- **Regulation:** the UK Regulations which implement the EU Public Procurement Directives can be seen as a barrier to innovation when in capable hands they are not. The Regulations allow for the use of outcome- or output-based specifications and variants, which can encourage innovative solutions. The Competitive Dialogue procedure, which can be used in defined circumstances, provides considerable scope for client/supplier dialogue.



When to act

Departments' capability to exploit innovation through procurement starts with their business strategy, well before any procurement, and applies throughout the procurement lifecycle until the termination of service contracts or the disposal of bought assets.

Innovation from suppliers or potential suppliers should be encouraged throughout the procurement and contract lifecycle. The greatest potential arises from the earliest stages:

- when policy is being formulated;
- when programmes and projects are being shaped;
- in the formulation of procurement strategy.

During procurement, the scope to accommodate innovative proposals may be limited by the project's documented requirements. The potential is greatest with a skilful output/outcome-based specification. Once a contract has been let, the scope to accommodate innovation within the contract is governed by the contract itself and the nature of the contractual relationship; the potential is greatest if innovation has been considered when the procurement is being planned.

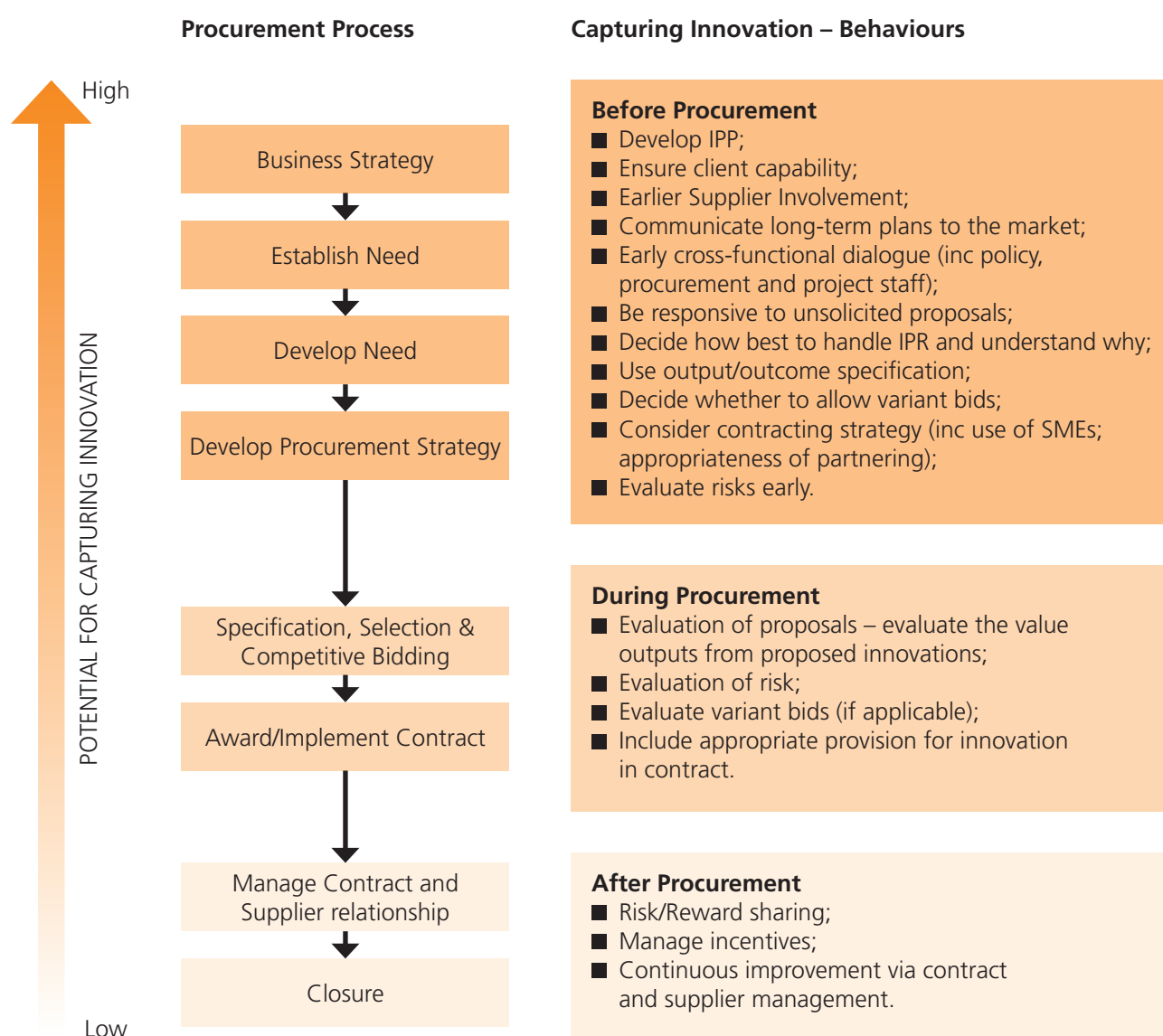
The schematic opposite illustrates the key behaviours and actions for capturing innovation throughout the procurement process.

Engaging with the market and identifying the need

There is most scope for taking innovation into account at the stage leading to the establishment and refinement of need, which involves consideration of, and engagement with, the market.

Needs may be driven by policy, legislative or budgetary changes or operational requirements. Contracting authorities should consult stakeholders, including potential suppliers, customers and interest groups, to help them understand what is needed. Good procurement practice will then enable the procurement of those solutions that provide long-term quality and value for money. For innovation the key success factor is a good understanding of the unmet need it is targeting.

Schematic: Capturing Innovation through the procurement cycle



Early Supplier Involvement (ESI)

Public procurers need to take a systematic and strategic approach to the supply markets on which they depend. A key part of this is engaging with the market at an early stage, e.g. during policy formulation or at the time of programme or project inception, in order to gather intelligence relevant to the high level aims of projects.

Departments can benefit from suppliers' knowledge of markets and trends and obtain an understanding of the capability and capacity of suppliers before they develop their procurement strategy and requirements. There is also the potential for public sector organisations to shape existing markets, or create new ones, with the strategic aim of meeting public sector needs both now and in the future. The watchword should be 'no surprises' to industry.

To be sure of capturing the potential for innovative solutions to enhance outcomes, departments should consult with potential suppliers and supplier bodies, e.g. by means of suppliers' conferences. This will enable potential suppliers to help shape the department's requirements, provide feedback on feasibility and affordability, and gear up to be able to respond once procurement is under way. Increasingly, the more complex procurements look to supplier alliances. ESI provides an opportunity for suppliers to form those alliances and so improve their competitive prospects. One helpful initiative is Concept Viability, a service from IT industry body Intellect, to help the public sector take early market soundings and to test the practicability of their ideas. Opportunities for innovation and barriers to it differ from one market to another. Understanding the market, the environment in which it operates, the companies within it and their capabilities and needs is an important step in encouraging supplier innovation.

Care is needed with ESI. Departments should deal with suppliers on an open and equitable basis in these early engagements. This is to avoid later accusations of favouritism, to avoid locking in to a particular solution and to maintain healthy competition. However, ESI offers significant payback in deliverability.

The Department of Health (DH) needed to find new ways of tackling the serious problem of MRSA and *Colostrum difficile* and decided to run an open Small Business Research Initiative (SBRI) competition for new technologies.

The National Institute for Health Research identified two topic areas on Hand Hygiene and Pathogen detection. They formulated these topic areas into a brief and ran an SBRI competition for ideas and new technologies. The competition was also publicised by the Technology Strategy Board and received over 50 new ideas from a variety of business sectors.

The applications were assessed and 13 companies were awarded initial contracts of up to £100k to develop their new technology. This first, short intensive, high risk phase of approximately six months, will provide evidence of the feasibility of the approach proposed; and, if successful, a more substantial second phase funding will develop prototypes and demonstrate commercial potential.

The SBRI competition enables DH to engage with the wider business community to create the best possible environment for innovation, and, at the same time, manages the risk with a two phase development approach.





Unsolicited proposals

The “cold call” can be the most difficult case to handle for public procurers. The proposer may have identified, or be trying to create, a potential need for their product or service.

The proposal may be “half-baked” or fully developed, perhaps seeking support funding or sponsorship. In some cases, it may be just a wild idea. The public sector may not recognise any demand or priority. There may be no funding stream; the client cost of implementing the idea may be prohibitive. In a hundred such unsolicited proposals, ninety-nine could be totally

impractical, but the hundredth could lead to improved services, reduced costs, creation of useful employment and prosperity-enhancing export opportunities.

When the more interesting proposals have been identified there are still issues about handling. Professional advice should always be sought but the following points offer some leads:

- Treat the proposal as an integral part of Early Supplier Involvement (ESI), to inform the developing requirement; but make it clear to the supplier that the UK Regulations dictate that all potential solutions must be investigated; invite the supplier to participate in an early design contest (see page 12);



- Advertise the requirement, making sure not to jeopardise the proposer's intellectual property in doing so, and encourage the unsolicited proposer to bid. By running a competition the department should be better able to judge whether the cold caller has the solution that best meets its needs;
- The proposer may be too small or under-resourced to bid for a substantial contract. Solutions could include:
 - Securing licensing rights or a share in Intellectual Property Rights (IPR) so that other suppliers can be engaged;
 - With the supplier's agreement, advertising two separate requirements: first to procure a creative partner to work alongside and support; secondly a larger contractor for the main contract;
- If an unsolicited proposal is relevant to an existing contract, the client can encourage its prime contractor to consider subcontracting to the proposer. The public sector organisation and the prime contractor would want to be satisfied that the proposal represented value for money.



Procurement Strategy

Departments need to decide in the early stages of a programme or project as to whether procurement will be required.

Once a decision has been made to progress to procurement, there are two main routes to find and, where appropriate, procure innovative solutions:

- A direct procurement of innovation, perhaps using a process such as Competitive Dialogue, which allows scope for developing the final specification with input from suppliers; or
- Market sounding, either with an intention to procure and, therefore, inform a procurement specification, or market sounding to seek a more detailed understanding of existing markets and solutions to inform a future policy or procurement strategy. This approach is equivalent to Early Supplier Involvement (ESI) described earlier.

As part of a Forward Commitment Procurement (FCP) project, the Rotherham NHS Foundation Trust developed a procurement strategy capable of driving innovation in the supply of innovative and ultra efficient lighting systems for the Trust's "Future Ward" reconfiguration and refurbishment programme. The procurement strategy was informed by an FCP market engagement exercise that began with a market sounding exercise inviting the supply chain to participate in defining the technical, operational and contractual means to deliver a step change in the efficiency and functionality of ward lighting systems.

The engagement process included a well attended market consultation workshop which was supported by the Department for Innovation, Universities and Skills (now BIS) and the UK Displays and Lighting Knowledge Transfer Network.

The final procurement strategy set out how the Trust intended to go about procuring as near to an 'optimal' solution as possible, capable of pulling forward innovative solutions and helping to manage the technology-related and other risks associated with adopting innovative solutions.

Direct procurement

The guidance "Finding and Procuring Innovative Solutions"⁵ presents four possible approaches to the procurement of innovative solutions as follows:

- The **Competitive Dialogue Procedure**⁶, for use in the letting of complex contracts, allows early discussion with suppliers and innovators to determine how their solution meets the need expressed, and how it can be developed to the point of supply;
- **Design Contests**, a process outlined in the public contract regulations 2006 (SI 2005/05) which awards prizes (which may include award of a service contract) for the best design solution to a contract. Design contests allow departments to hold or share intellectual property rights (IPR) to prevent lock-in to a potential monopoly supplier. In some cases, it will be appropriate to pay for several or all contest outputs to enable all the good ideas to be used. The prize for the design contest could even be the award of a services contract to develop further the winning design;
- **Forward Commitment Procurement**, provides a practical and proven means to enable organisations to stimulate and harness innovation for the public good. It does this by transforming the market for innovative and sustainable solutions, making new and emerging solutions more affordable and widely available, and providing a way to manage the risk of procuring innovative products and services. It is a demand pull process that begins from the identification of an unmet need that current products and services cannot deliver or can only do so at excessive cost or with unacceptable risk. The FCP model recommends in most cases the use of Competitive Dialogue, and Design contests may also be an effective tool that can be adopted in the procurement strategy. FCP involves being a demanding procurer, asking for what you want, not what you think you can get, and actively creating the market conditions that stimulate and enable the supply chain to deliver. More information can be found on the Department for Business, Innovation and Skills website;⁷

■ **Pre-commercial Procurement (PCP)**, under development as a process to use R&D contracts to progress solutions. PCP is based on the exclusion of research and development (R&D) from the EU rules. More information can be found in chapter 7.2 of “Finding and Procuring Innovative Solutions.” In the UK, an example of PCP is the new Small Business Research Initiative (SBRI) programme.

Small Business Research Initiative (SBRI) competitions

The new SBRI aims to use the power of Government Procurement to drive innovation and solve public sector challenges and needs. It achieves this by enabling public sector bodies to connect with technology businesses to help improve products and enable public bodies to meet their objectives. SBRI competitions accelerate technology development, supporting projects through the stages of feasibility and prototyping which are typically hard to fund.

SBRI competitions are run around challenges for which solutions are not readily available. Innovative ideas are actively sought and it is accepted that a number of these ideas will not make it to market. To address this, multiple projects are accepted into the process and risk is managed by using a phased development, based on best practice experience from the US Small Business Innovation Research (SBIR) scheme. Typically projects go through two phases with the initial award winners having around £100,000 and around 6 months to prove the viability of their idea. Companies whose ideas are seen as being promising at the end of this feasibility phase are accepted into a second phase of around £1 million and 2 years in which they develop prototypes of their solution. This should ideally lead to a product being taken to market and open procurement in a 2-4 year timeframe.



Use of Websites and Other Forms of Publicity

Public bodies can consider innovative solutions to meet both identified and unidentified needs for which there may or may not be an immediate intention to procure. Whether for market sounding or direct procurement, websites and portals are a key mechanism for making such calls for innovation. Questions should be used which challenge the innovator to think through the suitability of their innovation and if appropriate what needs to be done to take it to market.

Careful consideration needs to be given regarding the processes to be deployed to deal with responses from initial receipt, through communication and signposting in the various stages, to final selection and progression of submissions, which could potentially meet the required needs.

Advertising in trade publications and disseminating calls via business organisations or the local press should be considered in addition to using web-based portals. All advertising and calls need to be considered in parallel with, and in addition to, the Official Journal of the European Union (OJEU) process when procurement is underway. We recommend the Supply2gov portal, www.supply2.gov.uk for below-threshold procurement.

Supplier relationships

When the procurement strategy is being developed, consideration should be given to the optimum form of future relationship, taking account of whether an innovative environment will be required after contract award. For example:

- a **partnering relationship** may be suitable to create a climate of openness and mutual trust, in which public sector organisations can be more confident about revealing confidential information (e.g. part-formed policy). A partnering arrangement allows the public sector to be challenging in regard to innovation and is more conducive to supplier innovation. Partnering, to be effective, must be used in the right circumstances and in capable hands;
- the **provision of contractual incentives**, where supplier and client share the benefits, can encourage innovative solutions to meet changing needs. This is most important in long-term contracts where suppliers need to be encouraged to seek out advantage from technical developments;
- **involve SMEs**⁸: Small innovative firms can be excluded from contracts owing to a lack of capacity on their part, meaning innovation can be lost. Breaking the requirement into smaller chunks may create opportunity for smaller firms to participate. Alternatively, public procurers can encourage larger suppliers to form alliances with smaller, creative partners.





Specification

The specification stage is another key point at which to consider and address innovation. This is the stage where buyers define their requirements with a formal written description of the service, works or goods that the public authority is looking to purchase. Core requirements are essential parts of a contract that are set out in both the specification and the conditions of the contract.

The potential for finding an innovative solution is greatest when buyers specify what they want in terms of outputs or outcomes. A well constructed output specification identifies the outputs from,

rather than the inputs to, a requirement. An outcome specification takes this one step further and specifies the end result to be achieved. It is equivalent to specifying the problem and inviting solutions.

Output-based, and particularly outcome-based, specifications give tenderers the flexibility to offer different ways of meeting requirements. They open up the possibility for suppliers to offer innovative solutions that can meet the department's needs in different ways, potentially delivering improvements in quality and better long term value for money. They can also stimulate innovation within the economy by enabling the market to respond to current and future public service needs. In expressing the requirement, departments should give enough information to help the market understand the requirement but not restrict its creativity. It is important to ensure that stakeholders and end-users are involved and to identify



the main risks, including technical risks, in delivering the requirement. Departments should consider fully any optional elements of the requirement that may be used to foster innovation and their impact on overall value for money and affordability.

Not all procurements are suitable for outcome-based specifications; for guidance on when to use outcome-, output- and input-based specifications, please refer to “Specification writing⁹” and “Risk Allocation Model for Project Strategy and Procurement”¹⁰, available on the OGC website.

For simple procurements, the specification is drafted before an OJEU notice is placed. For more complex procurements, the business case will inform the specification; the development of which is likely to be an iterative process. Starting with a high-level statement, the requirement is progressively refined to arrive at the

level of detail needed for the final specification. Such an approach, however, does not obviate the need for good clarity on the required outputs and outcomes from the start. Suppliers also need to have a good understanding of the key constraints within which they will have to work. Many failed procurements can be traced back to a lack of clarity on specifications or desired outcomes.

Becta had a requirement for online systems that enable learners and teachers to share and store resources that can be accessed within and outside the school. They worked with both suppliers and with schools to define exactly what a learning platform should do and what its technical specification should be. This really helped everyone to get a clear, shared picture of the product, right across the sector.



Selection stage

This is the stage in the procurement process at which public authorities select potential suppliers to invite to bid. Under the public procurement rules, public authorities can only take into account information relating to the potential suppliers' technical/professional ability to perform the contract, or financial/economic standing. Buyers can only reject bidders using the grounds for rejection set out in the UK Regulations.

A contract can, for example, be defined in terms of innovative quality or the need for investment in research. The technical capacity or professional ability of a bidder to carry out such work can be assessed at selection stage. The legal framework provides contracting authorities with the possibility to consider past experience, for example by asking for the principal innovative contracts performed of a similar type in the past three years. (Contracting authorities are reminded that they should avoid the use of experience as award criterion.)¹¹

Contracting authority A considers how much potential suppliers invest in relevant research and development, or in the specific skills needed for this contract. Where relevant, there can be selection criteria related to potential suppliers' personnel for the contract, such as the education level of the workforce or the level of expertise of the technicians.

Award stage

The Ministry of Defence engages with the wider business community through the Centre of Defence Enterprise (www.science.mod.uk/enterprise), which has been set up with needs of small business and academia at the heart of its processes and runs a programme of SBRI competitions as well as an open portal for ideas. It operates a web based proposal system that allows quick assessment by experts across the Ministry of Defence and businesses to track progress online. Terms and conditions have been developed in consultation with industry trade bodies and are presented in their most concise form for ease of use for smaller businesses. The panel of expert assessors meets regularly and makes prompt decisions on awarding contracts giving feedback to applicants often within 15 days of the competition closing.

This is the stage at which public authorities assess the bids submitted by the potential suppliers that they have invited to tender following the selection stage. Bidders themselves cannot be assessed on their abilities at this stage, as these assessments would have already been done at selection stage. Rather, the bids must be evaluated on the basis of pre-published award criteria linked to the subject matter of the contract.

A contract should be awarded to the tenderer offering the best value for money. Value for money is about the optimum combination of whole-life costs and quality to meet the authority's requirements. Value for money in this context equates to 'most economically advantageous tender' (MEAT)¹² for the contracting authority (not wider society), as set out in the UK Regulations implementing the EU Procurement Directives.



The Regulations list a number of criteria, by way of example, that contracting authorities can use to identify which tender would be the most economically advantageous. These award criteria include such things as price, quality, aesthetic and functional characteristics.

Although not listed in the Regulations, criteria involving innovative solutions may be used to determine MEAT, where they provide an economic advantage for the contracting authority which is linked to the product or service which is the subject matter of the contract. Where innovation is needed, the award criteria should take the same output- or outcomes-based approach as the specification – neither should close off particular solutions or models.

Innovative responses can be encouraged by allowing bidders to submit variants to the core or standard specification. However, any such approach should be in line with the scope of the project and should comply with the Regulations where applicable. If in doubt, legal advice should be sought.

Value for money should not be seen as a barrier to innovative solutions. Indeed, the best value for money can come from an innovative solution. Sometimes innovative offers can look more expensive or less advantageous in the short term, but will be a better offer in the long term. Taking these long-term effects into account is possible within the legal framework through, for example, long-term cost calculations or life-cycle cost approaches.

The award stage on its own cannot deliver innovation. However, award criteria can be developed in a way that rewards the innovative character of the bid where this also provides MEAT. Conversely, it is important that award criteria should not be so prescriptive that innovative solutions are penalised, for example by there being no room for extra marks to be awarded for innovation.

When a department is launching a tender specifically for the development of programmes for the promotion of innovative technologies, it could be considered admissible if the bids for the organisation of these programmes were rated on their innovative character as well, where the bids provide value for money.

The innovative character of an offer could provide a better value for money than conventional bids, where, for example, it is cheaper, allows shorter delivery periods, or enables greater security of supply. These factors can be weighed in the criteria making up of most economically advantageous offer (price and/or others as indicated above).



Contract Conditions

Contract conditions relate to the performance of the contract and are included within the contract. Value for money should be maintained; contract conditions should be supported by the benefits they accrue set against the cost of achieving them.

The provision of contractual incentives where the supplier and client share the benefits can encourage innovative solutions to meet changing needs. This is most important in long-term contracts where suppliers need to be encouraged to seek out advantage from technical developments.

Research shows the contract structure and incentives can have a major impact on suppliers' motivation to innovate. For example, it can stifle the policy goal of innovation if all the IPR developed under a contract are transferred to the contracting authority. Against that, assignment of IPR to suppliers can serve as a dampener to competition. OGC guidance recommends that intellectual property rights should ultimately rest with the party best able to exploit it¹³. In any event, public sector organisations must take care not to 'leak' suppliers' IPR that has not been bought by the public sector to other companies, as that is wrong in principle and discourages future innovation. Also, procurers should be wary of placing suppliers under an overly restrictive confidentiality clause because that could also potentially restrict innovation.

Contracting authority A reviews the intellectual property provisions of its contract for work on a number of sites to maximise its share of the benefits of innovation, taking into account the need for intellectual property rights to rest with the party best able to exploit it, and providing sufficient incentive for site licensees and their parent bodies.

Relationship Management with Suppliers

Contract managers can challenge suppliers to be innovative. Provision needs to be built into the contract from day one, for innovation over the life of the contract. See OGC's guidance on "Good practice contract management framework"¹⁴

There are often good opportunities outside the formal procurement process, post-award, for public authorities to work with their suppliers on a voluntary basis to promote the importance of innovation to the suppliers and through them to the supply chain.

Historically, the majority of waste mattresses and pillows from Her Majesty's Prison Service (HMPS) were sent to landfill or incinerated as clinical waste. The increasing costs of disposal together with a drive to reduce volumes of waste to landfill driven by the SOGE (Sustainable Operations on the Government Estate) targets brought this problem into focus. HMPS worked with the DTI/ DEFRA Environmental Innovations Advisory Group and OGC in the first Forward Commitment Procurement (FCP) demonstration project to deliver an innovative solution to this problem.

In line with the principles of FCP, HMPS identified their unmet need and consulted with the market to find a way to deliver their requirement in a cost effective way. This led to a fundamental shift in the procurement approach and, after trials, the procurement of a fully managed Zero Waste Mattress system, and cost savings estimated to be nearly £5 million over the life of the contract.

First time round, the contract was in fact won by the incumbent supplier. The FCP process had changed the relationship with this supplier, introduced competition and innovative thinking into the supply chain to deliver what was really needed rather than what was already on the market.

HMPS are committed to auditing the zero waste outcomes of the contract, and will look to continual improvement in performance on all aspects of the contract.



Further enquiries

Questions on this pamphlet should be addressed in the first instance to the OGC Service Desk on 0845 000 4999 or at servicedesk@ogc.gsi.gov.uk

Further Reading

The European Union has published guidance on procuring innovative solutions: a report on Public Procurement for Research and Innovation (Sept 2005), which explores options for good practice and policy in procurement for innovation:

http://ec.europa.eu/invest-in-research/pdf/download_en/edited_report_18112005_on_public_procurement_for_research_and_innovation.pdf

A Guide on Dealing with Innovative Solutions in Public Procurement (Feb 2007), which looks at how public procurement can motivate innovation:

http://www.proinno-europe.eu/doc/procurement_manuscript.pdf

For more detailed guidance, please refer to Finding and Procuring Innovative Solutions and Capturing Innovation:

[http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_\(3\).pdf](http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_(3).pdf)

http://www.ogc.gov.uk/documents/capturing_innovation.pdf

For an overview of public procurement, see Introduction to Public Procurement: http://www.ogc.gov.uk/documents/Introduction_to_Public_Procurement.pdf

For policies and guidance on Government procurement, including policy through procurement issues such as environmental sustainability, equalities and skills, see the OGC's Procurement Policy and Standards Framework:

http://www.ogc.gov.uk/procurement_-_the_bigger_picture_policy_and_standards_framework.asp

The Government's White Paper Innovation Nation published March 2008:

<http://www.bis.gov.uk/>

The Government's Annual Innovation Report published December 2008:

<http://www.bis.gov.uk/>

The Innovation Procurement Policy page on BIS's website

<http://www.bis.gov.uk/innovationprocurement>

The SBRI Summary Brochure:

<http://www.ogc.gov.uk/documents/SBRIintrobrochure0309final.pdf>



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http://www.opsi.gov.uk/si/si2007/pdf/uksi_20073542_en.pdf
2. <http://www.bis.gov.uk/>
3. For guidance on how to develop IPPs see "Procuring for innovation, innovation for procurement" and its related toolkit <http://www.bis.gov.uk/innovationprocurement>
4. http://www.ogc.gov.uk/introduction_to_procurement_risk_allocation_model.asp
5. [http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_\(3\).pdf](http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_(3).pdf)
6. http://www.ogc.gov.uk/documents/OGC_HMT_2008_Guidance_on_Competitive_Dialogue.pdf
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8. http://www.ogc.gov.uk/documents/CP0083_Small_supplier_better_value.pdf
9. http://www.ogc.gov.uk/briefings_specification_writing_.asp
10. <http://www.ogc.gov.uk/documents/RiskAllocationModel.pdf>
11. Contracting Authorities are reminded that they should avoid the use of experience as award criterion, see OGC PPN [http://www.ogc.gov.uk/documents/PPN_Update_Dec_08\(1\).pdf](http://www.ogc.gov.uk/documents/PPN_Update_Dec_08(1).pdf)
12. Article 53 of the EU Directive allows for bids to be evaluated on the basis of either the most economically advantageous tender (MEAT) or the lowest price. The UK's policy is to use MEAT.
13. Finding and Procuring Innovative Solutions and Capturing Innovation: [http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_\(3\).pdf](http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_(3).pdf)
http://www.ogc.gov.uk/documents/capturing_innovation.pdf
Guidance on ownership of IPR in public procurement http://www.ogc.gov.uk/documents/IPR_Guidance_Note.pdf
14. http://www.ogc.gov.uk/documents/Management_Framework_Good_Practice_FINAL.pdf

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