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Reducing Carbon Emissions Through Effective Procurement Practice

Using Forward Commitment Procurement to deliver Innovation for Sustainability

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Forward Commitment Procurement

Principles of FCP

- Without new goods and services we will be unable to bring about the transformational change of society to a low carbon economy and a sustainable future
- FCP provides a process by which public sector organisations can intervene to overcome market failures, and deliver benefits both for the contracting authority and society as a whole, simply by changing the way it goes about procuring goods and services.
- It is a **supply chain management process** that creates the **market conditions** that pull forward **innovative solutions**, helps to manage the technology and other risks, and stimulates the supply chain to push the boundaries of current products and services
- The corner stones of FCP are:
  - Recognising unmet needs and future needs
  - Providing demand pull for new products and services
  - Making a forward commitment to procure a solution that meets the requirements
  - Buying the solution when it becomes available

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The FCP Process: overview

- The FCP process involves
  - Identifying your **future needs** in advance
  - Expressing your requirement in **outcome terms** so as not to preclude innovative and new approaches to meeting your needs
  - Communicating your requirement to the market in the context of a real **procurement opportunity**
  - Stimulating and helping the supply chain to make new connections and relationships via a range of **supply chain engagement** processes
  - **Incentivising** the supply chain, for example by providing information about and access to a wider market and the offer of a forward commitment
  - Demonstrating you are a **serious and credible procurer**

"To use FCP as a tool you need to know what you want to achieve, be committed to achieving it and be able to convince the market that you really want it."

Jack Frost, Chairman DIUS Innovation through Procurement Programme Board

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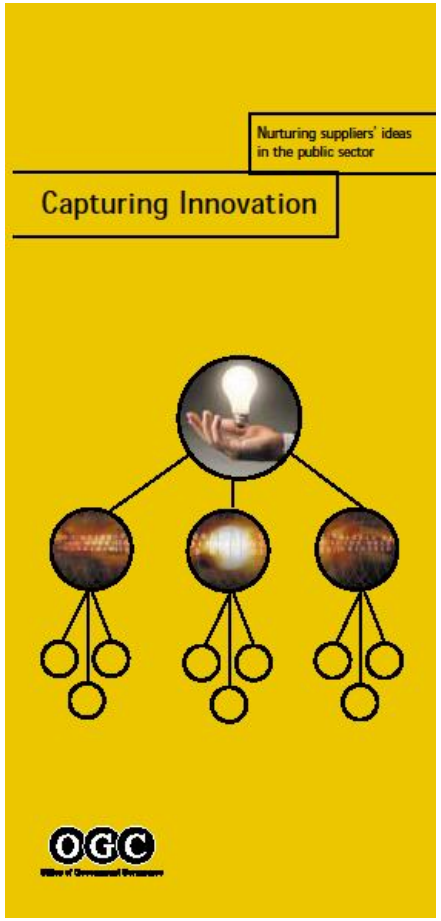
The FCP Process: based on procurement best practice

- The FCP process was developed in collaboration with the Office of Government Commerce (OGC)
- It builds upon and makes practical the guidance issued in "Capturing Innovation" issued by OGC in 2004
- This guidance stressed the vital role that public procurement can play as a lever for stimulating and enabling supplier innovation
- The guidance outlined innovation 'best practice' and was starting point for the development of the FCP approach

Achieving the benefits of innovation calls for effective leadership and a professional approach to procurement and project management.

Capturing Innovation



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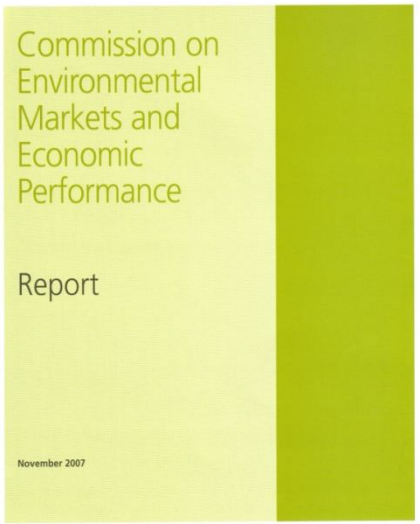
The FCP Process: recognition and endorsement

- FCP was recommended by the UK Sustainable Procurement Task Force and the Commission on Environmental Markets and Economic Performance (CEMEP)
  - CEMEP recommended the wider use of FCP to unlock private sector investment in innovative environmental solutions;
  - the Sustainable Procurement Action Plan committed Government to scale up and replicate the approach.
- FCP was identified as best practice by Office of Government Commerce (OGC) in 'Finding and Procuring Innovative Solutions'
- FCP was endorsed by HM Treasury in the publication 'Transforming Public Procurement'
- DIUS are working to bring FCP into common practice, part of this process was enabling the Trust to implement the first FCP project in the NHS



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The FCP Process: HMPS FCP demonstration project

- The first FCP demonstration project addressed a problem that HM Prison Service (HMPS) had been trying to solve for a couple of years
- Each year HM Prisons were throwing way in the order of 60,000 foam mattresses and pillows
- The majority were sent to landfill and some were disposed of as clinical waste
- This was out of step with Government sustainability aspirations and targets (Sustainability on the Government Estate - SOGE), and clinical waste disposal is costly and previous attempts to solve the problem had been unsuccessful
- HMPS worked with the FCP Project Manager (Gaynor Whyles Director of JERA consulting) on an FCP project to address this problem

- **The Outcome?** No more mattresses to landfill; reduced mattress turnover and minimal clinical waste. And saved nearly £5 million over the life of the contract.

- **Procurement is a powerful tool** – FCP provides an OGC approved, legal, systematic process to drive innovation and bring about step changes in performance and sustainability

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Future Ward Lighting FCP Project

- **Future Ward Lighting Project:** BERR, DIUS and DH supported the FCP project from the beginning providing know how, advice and resources
- **FCP Process Step 1: Recognise and unmet need**
- **Drivers**: carbon reduction and improvement in patient experience; both becoming increasingly important
- **Opportunity:** major refurbishment programme over 8 years
- **Don't want:** yesterdays solutions
- **Do want:** step change in energy efficiency and patient experience

"We usually fail to think ahead and anticipate unmet needs; and when we are forced to face up to a problem, it is usually too late to stimulate innovative solutions, leading to compromise, and ineffective or costly solutions – landfill did not just suddenly disappear overnight yet we failed to do anything about it, and now have limited options **"**

Gaynor Whyles, DIUS FCP Project Manager, Director JERA Consulting

Future Ward Lighting FCP Project

- **FCP Process Step 2: Unpack and articulate the requirement as an outcome based specification**
- By looking beyond what they believed was deliverable, and focussing on the outcome we were looking to achieve, the Future Ward Lighting Team came up with the following requirement: (It took a few attempts – this is often harder than it sounds)
- **"Innovative, value added, smart, ultra efficient lighting systems that can** deliver the Trust's vision for Future Ward lighting*, meet the operational requirements and provide added value functionality, in a cost effective way.
- **Specifically the solutions are required to:**
- deliver cost effective carbon reductions, provide a high quality patient centred user experience, provide a high quality working and clinical environment, maximise energy and resource efficiency, with improvements in product performance over the life of the Future Wards project
- **The Trust is also seeking innovative financial and commercial approaches"**

Future Ward Lighting FCP Project

- **FCP Process Step 3: Make the unmet need visible to the market**
- To facilitate communication with the supply chain, the FCP Team put together:
  - a Market Sounding Prospectus that set out (and helped to define) the requirement, and gave context and background information, and
  - a Response Form, designed to help standardise the responses
- These were put on the Trust website

"There are many 'myths' about supplier engagement, and many procurers avoid talking to suppliers because they are worried about stepping outside legal boundaries.

The FCP Process was developed in close consultation with OGC to make sure the process is fully in line with Public Procurement Regulations."

Gaynor Whyles, EIAG FCP Project Manager and DIUS FCP Project Manager

Future Ward Lighting FCP Project

- **FCP Process Step 3: Make the unmet need visible to the market**
- A communication plan was developed using intermediary organisations to get the message out to the market place, and make sure the supply chain knew about the requirement and the opportunity to provide feedback via the Market Sounding exercise
- The Trust issued a “Market sounding regarding the supply of innovative and ultra efficient lighting systems”, and implemented the communication plan
- The call was ‘launched’ with a Prior Information Notice (PIN) published in the OJEU (Official Journal of the European Union)
- BERR organised a supply chain workshop in London to publicise the market sounding
- To facilitate supply chain development and enable connections and collaborations, information and contact details about the companies that responded were published in a Company Directory and this was placed on the Trust website

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Future Ward Lighting FCP Project

- **FCP Process Step 4: Develop a procurement strategy and specification to support innovation in the supply chain and delivery of the outcomes**
- A Supply Chain Consultation Workshop was organised to discuss procurement options with a cross section of the companies that responded
- A briefing paper was sent out in advance of the workshop, explaining the purpose of the workshop and giving advance notice of the questions we wanted to discuss
- The supply chain provided valuable feedback, advice and suggestions
- The procurement strategy was a natural result of the FCP process – it became clear how to go about procuring the solution that would have the best chance of delivering the optimal solution

"The response [of the supply chain] has been excellent and has confirmed the value of this novel approach"
"FCP is the future of NHS procurement"
David Whiteley, Chief Engineer, Department of Health

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The Response to Marketing Consultation

- **What did the process achieve?**
- The Market Sounding process opened up the market to new suppliers and new supply chain connections were made
- The process was highly beneficial in providing the Trust with an industry wide view
- Provided important insights into capacity and capability of the supply chain
- Helped to galvanize the supply chain around supply of a solution
- Created evidence of market demand for innovative lighting and stimulated investment
- In short - market transformation

"There are many 'myths' about supplier engagement, and many procurers avoid talking to suppliers because they are worried about stepping outside legal boundaries.

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Gaynor Whyles, DIUS FCP Programme Manager and Director JERA consulting

Future Ward Lighting FCP Project

- **Procurement strategy**
- Based on the market consultation as a whole, the Trust will seek to procure a complete lighting solution, from design through to end of life management and incorporating installation, maintenance, and future proofing.
- The Trust will aim to identify the solution that provides an ‘optimal’ balance between the functional / operational benefits and future proofing on one hand, and energy efficiency, carbon reductions and associated cost savings on the other.
- In line with the FCP approach the Trust will publish an outcome based specification and will use the Competitive Dialogue process.

Future Ward Lighting FCP Project

- **FCP Process Step 5: Call for tender and Procurement**
- OJEU advert published in May 09, one year after beginning the project
- An **outcome based specification** will be the basis for the call for tender
- The following requirements provide the core of the outcome based specification:
  - a step change in patient experience
  - a demonstrable step change in energy efficiency with progressive improvements in energy efficiency and operational performance over the life of the project
  - fully installed, maintained and future-proofed service, (for example to facilitate upgrading to more energy efficient or better products as they become available)
- The solution should be transferable to other locations within the Trust and the wider NHS and trials and demonstrations will be incorporated into the procurement process.

Future Ward Lighting FCP Project

- **FCP Process Step 5: Call for tender and Procurement**
- Evaluation criteria will be discussed carefully taking into account feedback from the supply chain
  - the challenge will be to place values on intangibles and immeasurable
- We will adopt the competitive dialogue process as this will enable us to further explore options with the supply chain and evolve the most appropriate evaluation criteria
- Procurement strategy:
  - "The Trust will enter the Competitive Dialogue process with the intention to procure complete lighting solution (design to end of life package including maintenance and future proofing) for SUDP Phase 1(b) and Phase 2, with a view to the successful bidder being engaged for Phase 2 based on agreed performance parameters. However, the Trust will reserve the right to tender separately for Phase 2".

Future Ward Lighting FCP Project

- **FCP Process Step 6: Forward Commitment Contract?**
- The Trust offered a forward commitment should it be necessary in the Market Sounding Prospectus:
- In the HMPS project a forward commitment contract was not needed, suppliers funded their own development because of competition and the confidence that the FCP process had already provided that the Prison Service was serious in its intention to buy a zero waste solution.
- At this point we don't know if a contractual commitment will be needed
- This will become clear during the Dialogue

Summary

FCP - Key features

- A practical supply chain management tool
  - staged process of supply chain management
  - “credible, articulated demand”

- Stimulates innovation in response to customer unmet needs
  - works with real and specific procurement opportunities
  - creates the missing ‘market pull’
  - Provides a framework for the supply chain to engage and influence the procurement process

- Manages innovation risk
  - transfers risk to those best able to deal with it, i.e.
  - customers handle market risk
  - suppliers manages technology risk

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DIUS OGC Innovation for Sustainability Programme

- **Next steps:**
- The Trust was successful in their submission to the DIUS / OGC Innovation for Sustainability Competition
- DIUS are providing a training programme for the procurement and facilities team to embed the FCP know how and methods into the organisation
- Andrew Davies, Category Manger, will be the Trusts FCP Champion
- **Our second FCP project?** Innovative waste management solution.
- Also looking at FCP for procurement in clinical and other areas

- Information on the IFS programme from the DIUS and JERA Consulting websites:
- www.jeraconsulting.com
- www.dius.gov.uk/innovation/demanding_innovation