

Procuring for  
innovation,  
innovation for  
procurement

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Department for Innovation, Universities and Skills

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# INNOVATION PROCUREMENT PLANS: STRUCTURE

## 1 *Introduction*

This document aims to help Government Departments realise the benefits of innovation when they are procuring goods, services and works. In turn, departments demand for innovation should provide stimulus to the market to be more innovative, and hence more competitive.

The document supports the commitment in the DIUS White Paper 'Innovation Nation' published in March 2008 that:

*Each Government Department will include an Innovation Procurement Plan as part of its commercial strategy, setting out how they will drive innovation through procurement and use innovative procurement practices... These Plans will include details of how Departments will seek to increase their procurement of innovative products and services, fulfil their commitments under existing initiatives such as the Small Business Research Initiative and how they will make use of innovative procurement mechanisms.*

Each Innovation Procurement Plan (IPP) is a forward looking document setting out what the Department will do - it should not merely list existing initiatives. The IPP should give managers and procurement practitioners in the Department clear guidance on how the Department will use its procurement to drive innovation in the coming years.

Much of the value of the IPP will come from the thinking that goes into its preparation, rather than its use after publication – important though this will also be. Departments should regard the writing of the Plan as an opportunity to fundamentally think about their procurement practices and to consider how these might be improved or used to drive innovation. The IPP will represent a key long term objective for the Department and as such requires strong cross-referencing with other parts of the Departmental Commercial Strategy. The Innovation Procurement Plan is intended to complement the Commercial Strategy by clarifying how innovation will be implemented across the Department. It will help Departments identify use of procurement to stimulate innovative solutions and use of innovative procurement mechanisms.

Where the Office of Government Commerce has carried out a Procurement Capability Review of the Department, this should be carefully taken into account when planning the IPP.

## **Background**

The public sector as a whole spends some £175bn a year on a vast range of goods and services. With this huge commitment of taxpayers' money, comes a responsibility for each Department to ensure that it is deriving the best possible value for money, continually achieving financial savings while driving improvement in public services. This means harnessing the power of innovation to produce better solutions at lower cost than would be possible without change. In turn this requires Government to be more open to adopting an outcome-based approach to procurements where appropriate. It requires departments to be strategic in their thinking about procurement, to ensure procurement is undertaken by professionals or based on arrangements established by procurement professionals, and to take a wide perspective cooperating with other public sector purchasers and procurement bodies outside the Department where needed to achieve better value for money. In some cases the procurement capabilities of the Department will need to be improved. The changes needed to achieve major improvements through innovation can only be brought about through clear and positive leadership.

The IPP should not just be an account of what is already taking place but must give clear guidance to staff within the Department as to what is needed to improve the Department's capability to bring about innovation through procurement. Where appropriate it should clearly set out the initiatives that will be put in place to do so.

One of the Government's key priorities is to ensure that public services are delivered in a sustainable way and to minimise environmental impact of the goods and services procured, innovation will help the Department to do this whilst continuing to deliver on commitments for greater effectiveness.

## **Audiences**

In writing its Innovation Procurement Plan, the Department should bear in mind the various interested audiences, for example:

- ❑ procurement professionals within the Department;
- ❑ managers within the Department responsible as customers for what is bought;
- ❑ project teams undertaking procurement;
- ❑ senior managers accountable for delivery and expenditure;
- ❑ existing and potential suppliers; and
- ❑ associated industry bodies (e.g. CBI), other key stakeholders, including in some cases, the Department's customers.

## **2    *Guidance***

### **Suggested table of contents**

- A. Objectives
- B. Opportunities for Innovation
- C. Key Targets
- D. Implementation
- E. Reporting, Governance and Management

## **A OBJECTIVES**

### **Objectives of this Section**

This section should set out the purpose of the IPP, describe its scope and specify briefly what it aims to achieve. Focus on setting out the wider vision, rather than reiterating formal high level targets, and identify the societal challenges that the Department is looking to tackle.

The IPP should also cover the key drivers of change relevant to the Department's various objectives and make clear what timescale it relates to: for example does the IPP look 2, 5 or 10 years ahead? Longer term plans should be broken down to give shorter-term/intermediate objectives.

### **Suggested Content of this Section**

The attached annex provides details of the type of information that could go in the Plan, but you may also find the following helpful:

**1. Vision:** Set the vision the IPP is aiming to achieve over the period of the Plan, and how will it be used to ensure innovation is implemented in procurement across the Department and its subsidiary bodies, not simply piloted.

**2. Framework:** Set out the framework which will drive innovation, for example the key objectives relating to strategic policy or operational delivery objectives, or to key themes of cross-government work such as reducing carbon emissions, promoting sustainability, addressing social issues through procurement and increasing efficiency.

**3. Context:** Set out the context within which the organisation operates and future changes that will impact on it and require changes in the way the organisation operates.

**4. Innovation:** Explain how the Department aims to promote innovation, for example as an early user/major user of innovations or to directly incentivise delivery arms to adopt examples of innovative practice from other Departments. Identify which areas of spend are included in the IPP and are prioritised as areas for innovation, including details of the budget to support these activities.

**5. Role of Procurement:** Set out how innovation will be integrated into procurement processes and factored into decisions, in support of long term objectives including efficiency and value for money. Better use of outcome-based specifications as opposed to functional specifications in order to encourage innovation and ensure early engagement of suppliers.

## **B OPPORTUNITIES FOR INNOVATION**

### **Objectives of this Section**

The purpose of this section is to outline to suppliers and stakeholders where the Department has identified opportunities for innovation, and what the priority areas are where the Department wishes to encourage innovative approaches.

### **Suggested Content of this Section**

The attached annex provides details of the type of information that could go in the Plan, but you may also find the following helpful:

- 1. Needs Identification:** Identify the key areas where the Department and subsidiary bodies have assessed that there is an opportunity to innovate. For example, innovation might be necessary or desirable in order to meet strategic policy objectives, due to new legislative or regulatory requirements, or because a need exists that current products or services cannot meet.
- 2. Budgets:** Identify which areas of spend included in the strategy are prioritised as areas for innovation, including details of the budget to support these activities. Where appropriate, this may include paying for the development of solutions to meet future needs, for example through a contract under the Small Business Research Initiative (SBRI).
- 3. Research:** Detail the priorities for departmental research budgets and in particular the priority areas for technology/innovation related research, and how these are linked to Departmental objectives.
- 4. Open Innovation:** Explain how the Department and subsidiary bodies will engage existing or new communities and partnerships, in particular service users, to facilitate innovation. Provide details of the use of consultation mechanisms that enable the capture of ideas from outside the organisation.
- 5. Supplier/Stakeholder Engagement:** Set out how the Department and subsidiary bodies manage supplier networks and engage with particular markets, for example how opportunities to use collaborative buying consortia or agencies are managed.
- 6. Culture & Behaviours:** Provide examples of where innovation has been driven within the Department by key individuals or teams demonstrating behaviours to encourage and drive innovation, and how the Department proposes to encourage those attributes on a broader basis.

## **C KEY TARGETS**

### **Objectives of this Section**

This section should identify clear Specific, Measurable, Achievable, Relevant, and Timed (SMART) targets for the procurement of innovation by the Department, and should show how these targets link to those in the Department's Commercial Strategy. It should specify budgets that exist to support innovation (or proportions of budgets dedicated to innovation) across Departmental programme and administration budgets, as well as an overall target for spending on innovation that the Department will aim to achieve. Key innovation targets should be included across Departmental policy and operational activities and set for adopting innovations generated externally.

Details should be included as to how current baseline and performance levels for each objective and target area will be communicated across the Department and subsidiary bodies.

### **Suggested Content of this Section**

The attached annex provides details of the type of information that could go in the Plan, but you may also find the following helpful:

- 1. Targets:** Include targets for both structured innovation (i.e. based on needs identification) and opportunistic innovation, e.g. where a challenge has been identified but the Department is keen to engage with suppliers or other stakeholders to develop solutions. Targets should be included for adoption by the Department of innovations originating from outside.
- 2. Indicators & Measures:** Include indicators and measures to enable the Department to assess its capability in innovation procurement and the improvement in that capability over time. The indicators should help determine areas in which the Department might improve, e.g. flat procurement structure; mutual respect; rigorous recruitment process for innovative skilled staff; flexible systems and processes; less than 100% utilization rates thereby allowing staff time to be innovative; use of outcome specifications; sophisticated approaches to evaluating tenders. Consider measures to help determine success, e.g. measuring capability and professionalism; specific training (including use of outcome based procurement); input processes (e.g. pre competitive dialogue, collaborative procurement, Forward Commitment Procurement); R&D.
- 3. Budgets:** Identify a target for the overall level of spending on innovation and show how this fits with the overall procurement budget.
- 4. Visions for Stakeholders:** Describe how the Department intends things to look different both for the Department, including its subsidiary bodies, and from the perception of key stakeholders.

## **D IMPLEMENTATION**

### **Objectives of this Section**

This section of the IPP should explain how the Department will deliver the objectives it has identified, and set out the associated resources and budgets. If you have clearly identified the issues relating to capability in your Departmental Commercial Strategy then the IPP need only refer to the relevant part of the strategy.

### **Suggested Content of this Section**

The attached annex provides details of the type of information that could go in the Plan, but you may also find the following helpful:

- 1. Programmes and Mechanisms:** Provide information on the various means used by the Department and its subsidiary bodies to introduce innovation into the organisation through delivery of its objectives, including:
  - Procurement Mechanisms: Details of websites used to tender procurement opportunities as well as Departmental and subsidiary body use of competitive dialogue mechanisms, and how these are used to deliver innovation.
  - Innovative Procurement Mechanisms: How the Department and sponsored bodies will make use of innovative procurement mechanisms, for example Forward Commitment Procurement, Pre-Commercial Procurement, Design Contests.
  - Supplier Award Schemes: Details of Departmental schemes and whether these include an award for innovation/whether innovation is one of the criteria assessed.
  
- 2. Capabilities:** Describe the skills existing within the Department and its subsidiary bodies to ensure that innovation and procurement are supported. This should cover:
  - Human Resources: Details of the number of trained procurement staff required by the Department, and what measures will be taken to recruit/maintain this level, and to support the professional development of staff.
  - Internal Engagement: How the procurement teams within the Department will engage with policy and operational delivery directorates, agencies and other bodies to ensure procurement supports organisational objectives and business plans.
  - Culture & Behaviours: Provide examples of where innovation has been driven within the Department by key individuals or teams demonstrating

behaviours conducive to innovation, and how the Department proposes to encourage those attributes on a broader basis.

**3. Actions/Timetable:** Set out the key actions to implement the capability/organisational elements of the IPP and the timetable for achieving these over the life of the plan. Areas covered should include:

- Communication: How the objectives of the Innovation Procurement Plan will be communicated and embedded across the Department.
- Roll-out: Details of how innovations that are identified, developed and proved to be successful will be adopted and rolled out at scale across the Department.
- SMEs: Specific reference to the measures proposed to ensure access for innovative SMEs, especially SME participation in the procurement of R&D.

## ***E REPORTING, GOVERNANCE AND MANAGEMENT***

### **Objectives of this Section**

This section should detail who will have responsibility for implementing the IPP, how this will link into Departmental management and governance mechanisms, how the IPP will be reported on and responsibility for managing and refreshing the IPP.

### **Suggested Content of this Section**

The attached annex provides details of the type of information that could go in the Plan, but you may also find the following helpful:

- 1. Governance:** Detail how Departmental Boards will oversee the procurement function and ensure that it is linked into policy and operational delivery leads within Departments and subsidiary bodies. Identify how the governance structure for the IPP is connected to the Department's Commercial Governance.
- 2. Measurement:** Set out what metrics and Key Performance Indicators (KPIs) are or will be used by the Department to measure and benchmark its procurement of innovation and innovative procurement activity. This should include reporting on the Small Business Research Initiative (SBRI) based on the SBRI metrics. Show how these link into the indicators of success identified in the Department's Commercial Strategy.
- 3. Assessment:** Set out how the Department will measure its success against the key strategic objectives and targets set out in the IPP, and assess its impact in terms of promoting and adopting innovation.
- 4. Reporting:** Set out when and how the Department will publish details on innovation procurement activities and wider procurement activities, and what the reporting cycle will be. Include a timetable for reviewing and refreshing the IPP and how this fits with the Department's Commercial Strategy.

Explain what information will be released to suppliers/put into the public domain and how this will be presented.

## **INNOVATION PROCUREMENT PLANS: STRUCTURE**

<b>OBJECTIVES</b>
<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• To set out the purpose of the IPP, its scope, what it aims to achieve.</li> </ul>
<p><b>Content</b></p> <p><u>Overview of Departmental Activities</u></p> <ul style="list-style-type: none"> <li>• Outline key objectives, functions and activities of Department and subsidiary bodies, and the budgets linked to these.</li> <li>• Identify key drivers of change relevant to the above.</li> </ul> <p><u>Scope</u></p> <ul style="list-style-type: none"> <li>• Identify strategic objectives of the IPP e.g. contributes to relevant PSAs, Departmental Strategic Objectives and other targets (e.g. CO<sub>2</sub> emissions, sustainability, efficiency), promotion of innovation in the UK economy.</li> <li>• Identify which areas of Departmental procurement are included in the IPP/prioritised as areas for innovation, and the budget to support these activities.</li> <li>• Identify how the IPP relates to other relevant Departmental strategies and plans (e.g. Commercial Strategies, Procurement Strategies).</li> <li>• Identify areas of Departmental procurement/spending that are excluded from the scope of the IPP.</li> <li>• Identify innovation areas shared with other departments and agreed collaboration/leadership (e.g. working practices, consultations, communications, standards adoption, HR issues, finance etc).</li> <li>• Set out how the IPP fits within the strategic environment for procurement set by policy and the EU and UK legal framework (e.g. value for money and EU Single Market Rules and Procurement Directives).</li> </ul>

## OPPORTUNITIES FOR INNOVATION

### Objectives

- To outline to suppliers and stakeholders where Departments have identified opportunities for innovation, and what are the priority areas where Departments wish to encourage innovative approaches.

### Content

- Identify in detail how innovation will support each of the key objectives/targets identified, and what are the priorities and how it is proposed to address these.
- Identify the budgets that exist to support innovation in each of these areas.
- Detail stakeholder engagement mechanisms that the Department will use to engage with internal and external stakeholders, including internal champions, delivery partners, staff with innovative ideas, as well as existing potential suppliers.
- Identify the mechanisms the Department will use to capture innovative ideas generated by external stakeholders (e.g. call for ideas).

## KEY TARGETS

### Objectives

- To set clear Specific, Measurable, Achievable Realistic, and Timed (SMART) targets for the IPP.

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#### Targets & Measures

- Identify key innovation targets across Departmental policy and operational activities over 2, 5 and 10 years.
- Identify target for overall level of Departmental spending on innovation.
- Communicate current baseline and performance levels in each objective and target area.
- Set targets for adopting innovations generated externally.
- Include indicators for areas in which the Department might improve.
- Consider measures to help determine success.

## **IMPLEMENTATION**

### **Objectives**

- Detail how the Department will deliver the objectives it has identified, and the resources and budgets linked to this.

### **Content**

- Details of relevant procurement programmes and mechanisms.
- Details of Departmental subsidiary bodies responsible for implementing particular elements of the IPP.
- Set out Departmental capabilities (people, other resources and budgets) to support innovation and procurement.
- How the objectives of the IPP will be communicated and embedded across the Department.
- Timetable for taking forward and delivering the IPP commitments.
- Identify how innovations that are identified, developed and proved to be successful will be adopted and rolled out at scale across the Department.
- Identify actions that will be undertaken to take forward the objectives in the plan.

## **REPORTING, GOVERNANCE AND MANAGEMENT**

### **Objectives**

- Detail who will have responsibility for implementing the IPP, how this will link into Departmental management and governance mechanisms, how the IPP will be reported on and responsibility for managing and refreshing the IPP.

### **Content**

- Details of how the Departmental Board will oversee the procurement function and ensure it is linked into policy and operational delivery functions.
- Identify who is responsible for the procurement function and for implementing the IPP with the Department and within subsidiary bodies.
- Details of how risks relating to the IPP will be identified, recorded and what steps will be taken to manage them.
- Detail Key Performance Indicators (KPIs) and other measures to be used to assess the success of the IPP.
- Commit to timetable for reporting on, reviewing and refreshing the IPP.