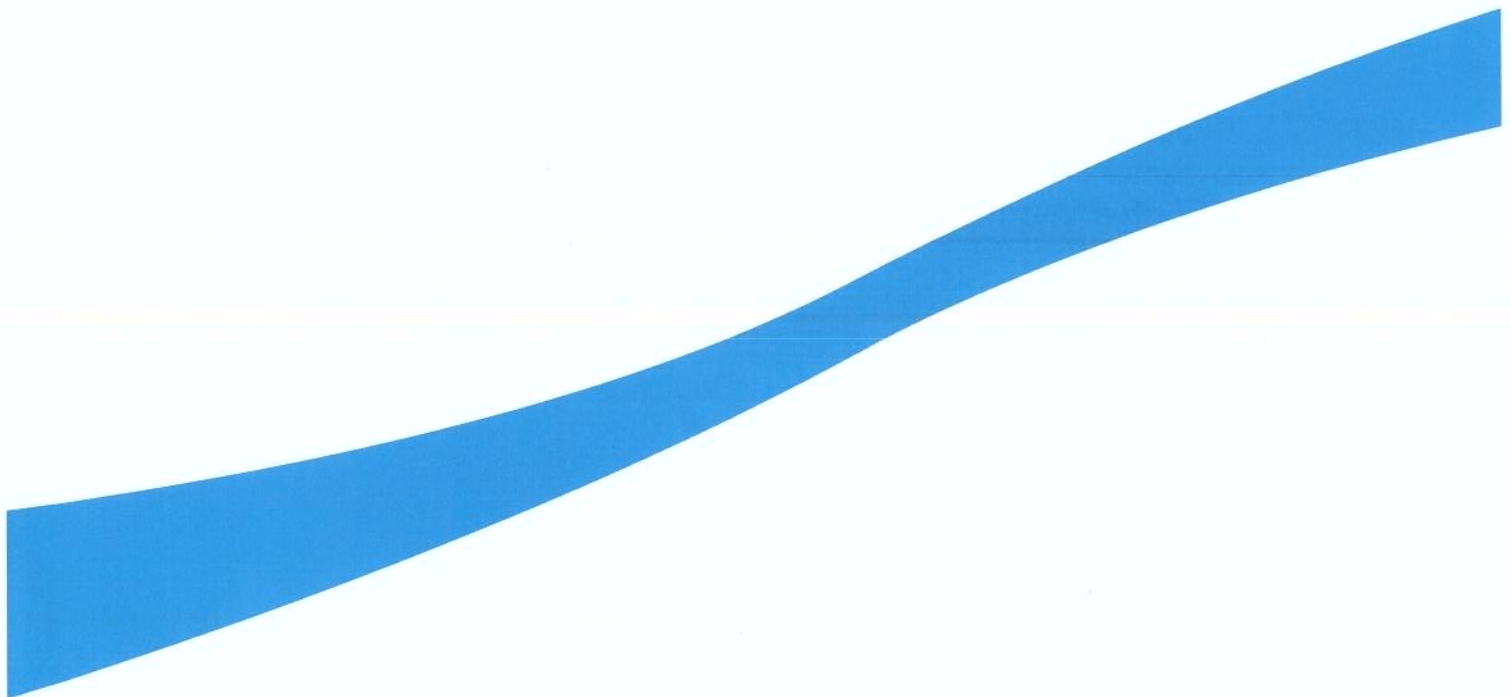


Innovation Procurement Plan

October 2009



**Making
government
work better**

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1. Introduction

The White Paper “Innovation Nation” published by the Department for Innovation, Universities and Skills in March 2008 recommended that all government departments should establish and develop Innovation Procurement Plans (IPPs). This plan sets out the Cabinet Office’s response.

Cabinet Office’s IPP supports its commitment to drive innovation through its procurement policies and processes and to promote innovative solutions in meeting its requirements supplied by third parties.

2. Why we need innovation

In its role at the heart of government, the Cabinet Office including its executive NDPBs (CapacityBuilders and Commission for the Compact), currently spends around £180 million annually with third party suppliers in helping to meet its own operational needs and to deliver the public service transformation programme. In addition, approximately £170 million is administered via grant programmes, mainly with Third Sector Organisations (TSOs) to help deliver public services. Due to the Department’s susceptibility to machinery of government changes, the level and pattern of the spend can fluctuate, sometimes significantly.

The challenges presented to the Cabinet Office by the need to drive public service reform, contribute to stimulating growth in the economy, and manage its spend within increasing budget constraints act as powerful levers for exploiting innovation through its procurement activities.

3. Objectives

In working towards delivering its strategic objectives through innovation in its procurement policies and practices, the Cabinet Office will:

- in planning procurements, consider how innovation can be applied in identifying our requirements for goods and services;
- actively seek and encourage suppliers to provide innovative solutions to meet our requirements;
- work with our contractors to develop new and more efficient ways of maintaining and improving service delivery;
- collaborate with other departments and government bodies in adopting innovative approaches to the delivery of operational and wider public services;

- improve sustainability in our supply chains and acquisition processes; and
- encourage Small and Medium sized enterprises (SMEs), Black and Minority Ethnic businesses (BMEs), supported businesses and TSOs to compete for our business.

4. How we will achieve our objectives

Our category managers will work with business units and other stakeholders to make innovation integral to the procurement process. This will be achieved by:

- reviewing business plans and identifying how innovation can be used in delivering outcomes;
- examining innovative approaches in developing procurement strategies;
- engaging with the market to identify new products and services;
- framing specifications in outcome or performance terms to encourage innovative solutions;
- incentivising suppliers to think innovatively;
- reviewing with our contractors opportunities for innovation to improve service delivery and value for money as part of regular performance discussions;
- re-engineering procurement and delivery processes to reduce costs and CO₂ emissions; and
- sharing information and working with other departments and public sector organisations to develop innovative solutions to meet common goals.

We will review regularly our internal procurement processes to ensure that they are responsive to changing business needs and to eliminate unnecessary costs.

We will encourage everyone in the Department to come up with ideas that will help advance the innovation procurement agenda.

5. What we have done so far

The Cabinet Office has implemented a range of initiatives that harness innovation to deliver high quality outcomes and optimise value for money. Examples include:

- **Exploiting shared services and assets**
 - Many public sector organisations have outsourced the supply of their ICT service to the private sector. They typically act in isolation, running procurements which can take a year or more to complete and which incur considerable expense. The result is

numerous, individually tailored services which fail to share investments, leverage of overall spend, or promote joined up government. Following its *Transformational Government* strategy, the Cabinet Office has established the 'FLEX' framework arrangements with Fujitsu which will deliver a technology-shared service with the potential to serve multiple public sector organisations. Organisations are able to contract directly with Fujitsu for a 'core shared service' as well as a range of optional services. The core shared service includes a security accredited service delivering modern office productivity applications from a shared data centre facility, through a fully managed infrastructure. FLEX offers public bodies an easier and cheaper procurement route. The Cabinet Office was the first organisation to 'call-off' from FLEX and a range of other central government departments and wider public sector bodies have already signed up.

➤ As another strand of implementing the *Transformational Government* strategy, the Cabinet Office has recently entered into a partnership agreement with the Department for Work and Pensions (DWP) for the supply of Shared Services for a range of corporate services. Shared Services is an online and contact centre service for doing routine HR, finance and procurement work, delivered through self-service where possible. The services include staff payroll, recruitment advertising, invoice payment, financial reporting and low value purchasing. Shared Services is provided by the DWP from centres based at Norcross, Newcastle and Cardiff. These arrangements enable the Cabinet Office to utilise DWP's system which provides access to a fully integrated purchase-to-pay system and have saved the significant capital investment that would have been required to up-grade its own financial systems. Shared Services also provide the opportunity for closer collaborative working between the Cabinet Office and DWP on common procurement requirements and harnessing the benefits of greater buying power.

- **Re-engineering processes**

➤ Working with the Department's travel agent, the Cabinet Office has introduced on-line booking for rail tickets via 'Trainline' and on-site delivery by installing ticket printers in the Department's buildings. This has generated significant savings in official travel spend by enabling travellers to select the best value ticket for the journey and by reducing the agent's overhead costs. The printers are managed by the Department's FM provider and tickets are delivered via the internal mail service. This has speeded up delivery significantly as well as removing the need for tickets to be couriered from the agent's premises.

- **Improving sustainability**
 - The Department has reviewed its fleet of allocated chauffeured cars and has reduced this by almost 40 per cent by reducing 'core' times and making better use of spare capacity. This has generated considerable savings and has also helped to reduce the Department's carbon footprint.
 - The scope of the management information provided by our suppliers of travel services has been developed to include detailed carbon footprint information on air, rail and vehicle journeys undertaken by officials. This is enabling us to better manage our performance on CO₂ emissions and help us to meet the Government's reduction target.

6. Looking ahead

Over the coming 12 months, we will build on successes by focussing on embedding innovation in our business culture and stepping up the pace of change. Key actions to be given priority will be:

- **Enhancing capability**
 - Build in 'innovation' into our training programme for category managers, customers and contract managers;
 - Revise procurement guidance to give greater emphasis to the importance of innovation in the procurement process;
- **Early engagement**
 - Become involved with customers at an early stage of formulating their requirements to enable innovative options to be considered;
- **Encouraging suppliers**
 - Revise invitation to tender documentation to make more explicit the requirement for suppliers to be innovative in their proposals;
- **Expanding the supplier base**
 - Advertise all relevant contract opportunities on the Cabinet Office website and supply2.gov.uk portal to help a more diverse range of suppliers, including SMEs, BMEs, supported businesses and TSOs, to access opportunities to win contracts as either prime suppliers or sub-contractors;
 - When planning procurements, identify suitable opportunities for supported businesses to supply our requirements and issue

guidance to contract managers to review such opportunities with existing suppliers through their sub-contracting arrangements;

- **Promoting skills**

- Contribute further to the Government's ambition to deliver 20,000 apprenticeship places through public sector procurement over the next 3 years by specifying our requirement for suppliers to offer apprenticeships in tender documents;
- Issue guidance to contract managers about the need to review regularly opportunities for apprenticeships with existing suppliers;

- **Collaboration**

- Continue to work with the Office of Government Commerce (OGC), Buying Solutions and other departments and public sector organisations in developing and implementing strategies that will deliver our requirements in an innovative way;

- **Improving sustainability**

- Implement the 'flexible framework' and other relevant actions in line with the Cabinet Office Sustainable Development Action Plan (SDAP); and

- **Improving processes**

- Explore the potential for implementing on-line ordering with on-site delivery or check-in collection for air tickets.

7. Governance and implementation

The IPP will be owned as part of the Cabinet Office Commercial Strategy by the Cabinet Office Board and managed by the Finance & Investment Committee (FIC) chaired by the Finance Director. The Director General, Corporate Services, in her capacity as Board member with lead responsibility for commercial activities, supported by the Central Procurement Team in Finance & Estates will be responsible for the implementation of the plan.

8. Further information

Further information about the IPP may be obtained from the Central Procurement Team by emailing supplyenquiries@cabinet-office.x.gsi.gov.uk.

