



DWP Innovation Procurement Plan

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Introduction

The DWP is responsible for the largest proportion of tax payers' money, £138 billion of a total £586 billion. To achieve its objectives the Department requires the support of a large number of external suppliers. In 2007/8 the Department spent £3.671 billion on third party suppliers, this is about half of its running costs and around 25% of total commercial spend across central government. The DWP faces a fundamental challenge in ensuring that we continue to deliver optimum outcomes for the public within the constraints set us by the Comprehensive Spending Review 2007 (CSR07). The Department will manage its commercial relationships, using its commercial spend to improve the quality of service and encourage innovation in its delivery of services to customers and support the Departmental businesses in delivery of their Public Service Agreements.

The majority of DWP spend is on service contracts, rather than innovative technical products. However, DWP does implement innovative ideas and procedures by encouraging its suppliers to generate innovative ideas that can improve the quality of service provided by them and DWP. There is a small CIT seed funding budget, to encourage innovation.

Vision

Promote innovation to find better ways of working, to deliver sustainable best practice commercial services and solutions that support the required DWP business outcomes, provide best value for money and demonstrate continuous improvement in customer service and performance.

Objectives

The purpose of the Innovation Procurement Plan (IPP) is to highlight areas where innovative ideas can be used. We will use the IPP to improve our procurement practices and drive innovation forward, by building innovation into our procurements to ensure suppliers help us gain advantage from new techniques and technological advances.

The IPP is a subset of the Commercial Strategy, which outlines DWP's Objective for Innovation. The IPP sets out DWP's approach to achieving that Objective:

"Build innovation into our procurements to ensure suppliers help us gain the best advantage from new techniques and technological advances." – Process, Strategy Objective 3.

(DWP homepage, Finance and Commercial, Commercial and Contracting, Commercial Strategy)

Plan of Action

The plan of action sets out DWP's approach to achieving its objective:

Supplier Relationship Management - Through contract management and Supplier Relationship Management (SRM) DWP encourages its suppliers to generate innovative ideas. DWP encourages suppliers to suggest possible innovative ideas, which can be worked towards in partnership to generate value for money savings or service quality improvement. SRMs will encourage suppliers to be innovative when they are addressing sustainability issues.

We will discuss with our suppliers their business plan for the future and look to align theirs with ours where appropriate. This will give both parties a clearer picture of where the relationship is heading, and allow for innovation to be planned in advance.

Developing an innovative culture - Procurement plays a large role in establishing the relationship between DWP and the supplier. Although the terms and conditions do not specify a requirement to make innovation gains, they do require continuous improvement which could be a result of innovation. Developing innovative culture through SRM is an important part of the procurement process.

DWP will also develop a culture where commercial teams are involved at the early procurement stages of an innovative product. This is essential so DWP can gain most out of its contracts and encourage innovation from the outset.

Encouraging a diverse supply chain - An important part of procurement is encouraging a specialist and diverse supply chain. The Department encourages the use of a diverse supply chain, by providing small specialised businesses with support and information on how to bid for government contracts. For example DWP procurement specialists give presentations at small business events to encourage

SMEs/BMEs/Third Sector businesses to apply for DWP contracts. We recognise the importance of the specialist expertise that small/specialist enterprises can provide, therefore we will ensure our procurement processes and policies do not discriminate against small and medium sized enterprises (SMEs) or Third Sector Organisations (TSOs). We apply competitive neutrality principles and identify barriers that prevent smaller organisations from serving our business, including the sub-contracting policies of our larger suppliers. We will reduce barriers to open up the marketplace to make it easier for suppliers to compete for our business and make our processes and policies accessible to our suppliers by maintaining a Supplier Focused Website. DWP continues to work towards implementing the recommendations set out by the Glover Report and the OGC's Accelerating the SME Economic Engine paper.

A mandatory Sustainable Procurement Risk Assessment Methodology (SPRAM) has been developed for application to all new and existing contracts in DWP; identifying sustainability risks and requiring that appropriate mitigation action be selected. Key environmental areas are covered in the tool such as energy, waste and transport but equally vital are areas relating directly to our three main Departmental aims. SPRAM requires that consideration is given to equality and diversity, labour standards and opportunity for contract delivery by small, medium, black and minority ethnic enterprises (SME's and BME's) or supported factories and businesses.

Market Scanning – We shall use market scanning to make sure we are aware of innovative developments in our commercial markets. This will have specific benefits within our CIT markets, so when we purchase new equipment we are fully aware of all the possible alternatives. This does not only apply to the private sector, DWP will also be aware of different projects being run by other Departments, to try and utilise any innovative projects that they have set up.

Opportunities for Innovation

There are three areas in procurement where innovation will be developed:

Within existing contracts with current suppliers - SRM will be used to encourage and develop innovative ideas. DWP will work to assist the supplier develop and implement relevant innovative ideas that will allow; risk management, service delivery, improvement in quality, increase Value for Money and development of a sustainability agenda.

Monitoring Innovation is already built into many contracts, for example within Corporate IT (CIT) the EDS contract the terms and conditions require EDS to report on innovation gains. DWP encourages suppliers to use innovation that they have designed in other parts of their business, and apply it to the DWP contract.

DWP's Top 10 (most important contracts) suppliers have ET level engagement. This is an innovative approach to SRM and has been cited as best practice by Office of Government Commerce and commended by the National Audit Office. Trillium is another good example of DWP's approach to SRM DWP look to progress its environmental targets through partnership with Trillium and the PRIME contract. Trillium are key contributors in DWP progress towards SOGE targets thus protecting our reputation as a leader in environmental sustainability. Results in this area speak for themselves with a nearly 11% percent energy consumption saving last year and 28% water saving in past 3 years, both leading examples in Government.

With firms who do not currently supply DWP - DWP will look to use the knowledge of the wider business environment. If a firm who does not currently supply DWP has an innovative idea that could benefit DWP, DWP will set up a process for ideas to be harnessed.

Currently the 'Right to Bid' scheme encourages firms who have an innovative idea to approach DWP. This was designed to make the most effective use of the experience, knowledge and perspectives of the public, private and voluntary sectors in realising our ambitions. It is an attempt to harness innovation in the way services are delivered. The Department welcomes good quality ideas from any source and we have developed an approach that will enable us to take forward those that have the greatest promise.

Procurement staff will input into different working groups to bring industry knowledge from a wide range of areas. This allows the various groups to exchange ideas about experience they have and allows an opportunity to develop innovative ideas. An example of this would be DWP's Commercial staff sitting on a joint working group for the Oracle system.

The Technology Strategy Board are sponsoring a scheme called the Small Business Research Initiative (SBRI). This is a solution focussed programme for running an

open competition for innovative ideas and new technologies. We will encourage Category Managers to consider the SBRI where they have identified a new requirement which a current supplier cannot fully meet.

Within the DWP commercial processes - DWP uses a variety of electronic systems for different aspects of the commercial process. DWP will explore further any innovative ideas that could allow efficiencies in those areas.

We have developed a DWP contestability policy and strategy examining all best value options including Public Private Partnerships and the Private Finance Initiative. This will allow DWP to outsource to the market where it feels there are innovative gains to be made. An example of this would be the outsourcing of the DWP fleet. This has enabled DWP to work towards achieving a key Government target on carbon emissions from vehicles as the fleet specification set out that new, lower emissions vehicles were required. As well as benefiting in reducing our carbon footprint, the supplier guarantees that cars are maintained, safe and comfortable, ensuring our duty of care to staff health, safety and well being and therefore delivering social benefits.

DWP will always look to encourage innovation from its suppliers. However, in some contracts the need to innovate is more crucial than others. In these contracts, such as some CIT contracts, we will use the competitive dialogue procedure to encourage suppliers to develop innovative ideas at an early stage.

DWP has long specialised contracts, such as some of the CIT contracts, where the product being purchased from the supplier is developed by both parties over the duration of the contract. In these cases, DWP will look to manage their Intellectual Property Rights over that product, to optimise any innovative gains made through the collaboration. This would then enable DWP to make the innovative gains open to the wider public sector, for them to adopt ideas pragmatically and take advantage of any innovative ways of working. DWP will look to allow other Departments access to its innovative gains. One way of achieving this is the use of the programme called “The Key” – Unlocking Innovation in Government, launched by the Government Gateway team, EDT, to Support Innovation in Government. The Programme seeks to help SMEs market technology to government and will look to stimulate innovation in the public sector by providing a national infrastructure to record, promote and collaborate

on innovation. It will achieve this by leveraging existing experience, infrastructure and tools.

KEY TARGETS

1. Generate Value for Money gains from encouraging innovative ideas with existing suppliers through Supplier relationship Management.
2. The number of innovative ideas that could lead to increases in VFM, service improvements, or improved sustainability.
3. How many of these innovative ideas have been taken forward.
4. Continuously apply innovative thinking to our commercial processes, to try and improve our way of working.

IMPLEMENTATION

The Innovation Procurement Plan will be implemented as a sub-set of the Commercial Strategy. As a result it will sit under the Commercial Strategy Action Team (CSAT), and will be reviewed quarterly under the CSAT Scorecard. Individual areas will be required to report on the management team on innovative gains made.

It will be communicated throughout our procurement staff to make them aware of the aims and direction of the IPP.

DWP is also keen to receive feedback from business on this IPP, and any other aspect of the Department's procurement rule and processes. This will feed into the six monthly reviews of the IPP.