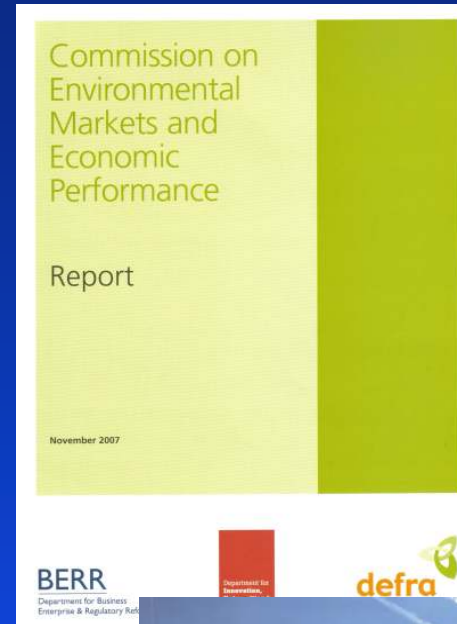


Forward Commitment Procurement

- **Developed by** the industry led UK Environmental Innovations Advisory Group (EIAG) and by UK Government Departments responsible for Business and Enterprise and Environment (BERR and DEFRA)
- **Recommended by** the UK Sustainable Procurement Task Force; also by the Commission on Environmental Markets and Economic Performance as a market-pull mechanism.
- **Evaluated and promoted by** DEFRA, BERR and Office of Government Commerce (OGC); endorsed by HM Treasury in 'Transforming Public Procurement'.
- Now being **scaled up and replicated by** Department for Innovation Universities and Skills (DIUS) 'Innovation for Sustainability' programme



Forward Commitment Procurement Projects

- Process tested and demonstrated through a project with UK Prison Services 'zero waste prison mattress'
- FCP process designed to comply with EU public procurement regulations
- Adopted by National Health Service, Local and Regional Authorities and Urban Regeneration Companies, RDAs
- Other FCP projects underway or in development including:
 - street lighting solutions
 - zero waste places
 - sustainable paving materials,
 - low carbon energy supply technologies
 - innovative combined cooling heat and power technologies
 - Innovative business models for maintaining new developments

Why Forward Commitment Procurement?

- Once a technology has been shown to be technically feasible there follows a period of proving practical and commercial feasibility
- The time taken in this stage depends on the level of investment made by the developers themselves and very importantly by their suppliers
- Even very committed developers find it difficult to make these investments – the world is full of prototypes that never made it into production
- New technologies need, at least in part, a new supply chain if they are to become cheap and reliable

What is Forward Commitment Procurement

- A critical factor for suppliers of new products is the confidence that there will be a market for the new product once it is proven. The amount of investment made by developers and by their suppliers depends on this confidence
- The future users of the new products can significantly affect investments by suppliers by making the future market as certain as possible (while retaining competition)
- Forward Commitment Procurement is a way for public procurers to make this future market visible and credible without either procurer or supplier incurring unmanageable risks
 - **a commitment to procure stated volumes, within a timeframe, if specification, price and performance parameters are met**
- This 'commitment' can appear daunting to a procurer but provided a genuine need and credible intention is clear it can take different forms

FCP Example: Zero Waste Prison Mattress

- **Step 1: Identify the need or problem**
 - An 'unmet need'. 60,000 mattresses and pillows purchased per year and 40,000 mattresses and pillows thrown away per year and either landfilled or treated as clinical Waste. Cost over £3 million pa. No recyclable product available in the market.
- **Step 2: Defining the unmet need – outcome based**
 - “HMPS aspires to a zero waste prison mattress system that meets or exceeds current operational requirements and delivers whole life cycle cost efficiencies.
 - By 2012, HMPS wants all its mattresses and pillows not classified as hazardous waste to be recycled, repurposed or reused instead of going to landfill; and to reduce to 2 per cent pa the number of mattresses disposed of as hazardous or clinical waste”
 - Costs not to exceed current costs of supply and disposal

FCP Example: Zero Waste Prison Mattress

- **Step 4: Making the need visible to the market**
 - HMPS used an established market sounding process 'Call for innovative solutions and information'
 - OJEU Prior Information Notice published, call widely publicised
 - 36 high quality responses ranging from international companies to social enterprises, innovative technical and commercial solutions
 - Process opened up the market to new suppliers and new supply chain connections were made
- **Step 5: Procurement strategy and specification**
 - Publication of contacts directory – to support supply chain development
 - Analysis of responses and presentation of options
 - Concept Viability Workshop
 - Procurement strategy developed, addressed innovation barriers
 - New procurement approach identified for a 'whole life cycle zero waste managed service'

FCP Example: Zero Waste Prison Mattress

- **Step 6: Call for tender August 2007 and tender negotiations**
 - Outcome based specification
 - Competitive dialogue recommended to facilitate best solution
 - Identify partners for a framework contract
 - Three options reached final evaluation all can deliver the requirement
 - Trial of 2 final bids underway – both deliver significant cost savings
- **Step 7: Forward Commitment Contract?**
 - If required –not needed here, suppliers funded own development because of competition and the confidence that the procurement process provided that the the Prison Service would buy.

FCP Example: Zero Waste Prison Mattress

- Outcomes:
 - A zero waste mattress managed service
 - sooner than expected (ahead of the 2012 target)
 - at no extra cost
 - in fact, considerable cost savings
 - where no such option existed before the procurement exercise
 - Put an end the practice of sending over 40,000 used mattresses to landfill each year
 - “Sustainable procurement has been talked about for years, but the Prison Service FCP project to source a zero-waste mattresses was one of the few truly innovative examples we have seen,” said Julie Hill, member of the Commission on Environmental Markets and Economic Performance.

The Forward Commitment Procurement Process

- Provide critical market information to the industry:
 - what is needed (outcome specification) by when
 - what we are prepared to pay
 - the size of the immediate and potential market
 - forward commitment: if you can deliver this requirement we will buy this number, over this timeframe
 - (not always a contract but a genuine need and credible procurement intention)
- Design a procurement strategy that can deliver the requirement e.g.
 - Remove barriers to innovation
 - Adopt appropriate procurement and evaluation processes
 - Whole life costing
 - Risk management / sharing
- FCP enables the market to:
 - manage the market risk
 - invest to deliver against this requirement
 - tool up production to reduce costs

FCP works best

Where there is:

- a high level of leadership and staff commitment
- a genuine need that current technology, products or commercial models cannot deliver
- and / or cannot be delivered affordably
- a procurement opportunity sufficient scale to stimulate the delivery of a solution
- the ability to make a forward commitment of sufficient strength to generate the required market pull
- willingness to adopt new procurement approach
- potential for aggregation of demand within the organisation, region, and with other public sector bodies

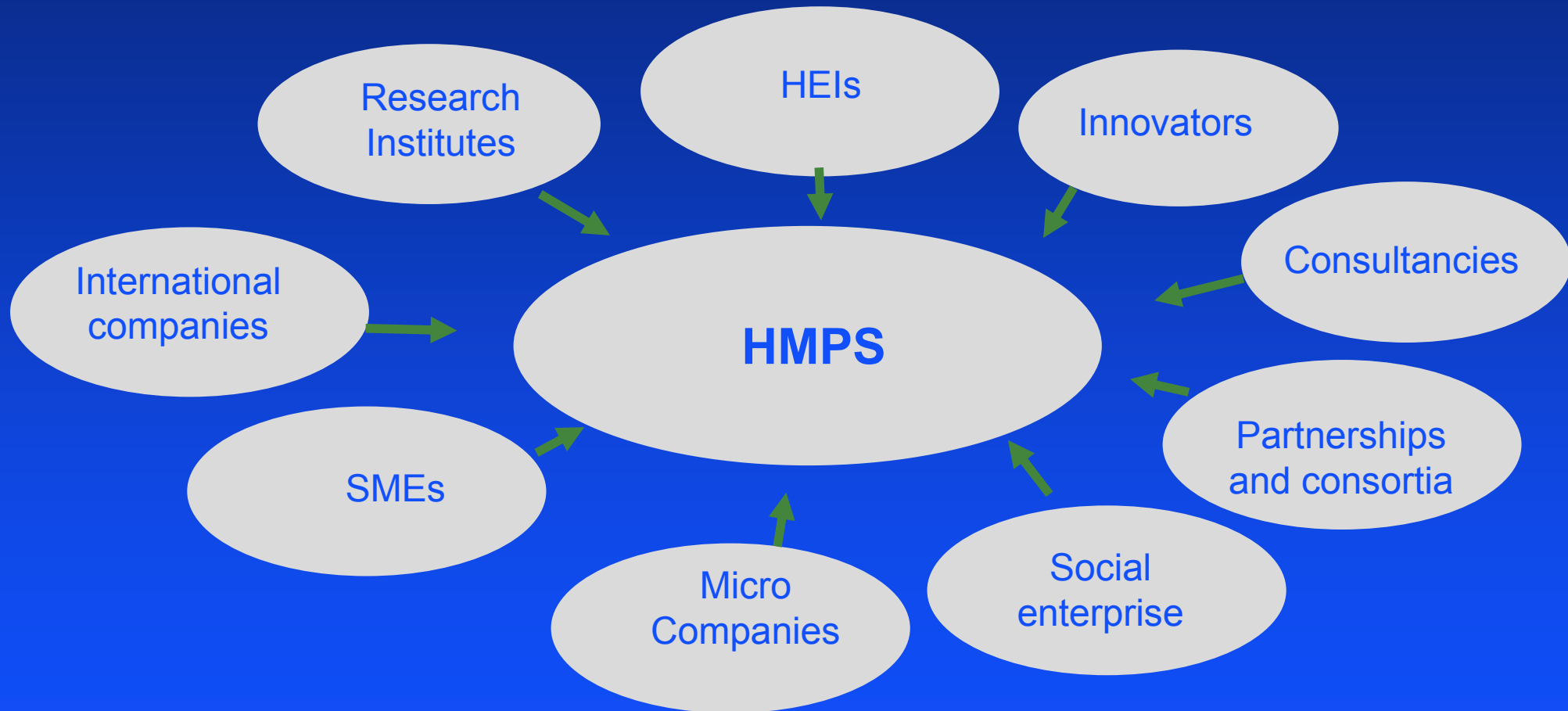
FCP UEL project – market side

- NHS has some big challenges including carbon reduction targets, high energy bills and delivering a better clinical operation and patient experience ✓ Real unmet needs
- Requires new and better solutions to meet these needs ✓ Innovation is required
- Has a lead buyer which is committed to succeeding ✓ Leadership
- Can replicate a successful outcome to provide a substantial market ✓ A market opportunity worth investing in

FCP UEL project – supplier side

- FCP is a managed stepwise procurement process to answer this question
- At each stage the risks are correctly allocated between buyer and supplier depending on who can best manage that risk
- The market sounding is the second stage of this process
- Does a supply chain exist (or can one be brought into existence) that can understand and deliver against these needs?

HMPS Zero Waste Mattress Response to Marketing Sounding



- Over 30 responses, across the range.....

Would advance and develop sustainable practice – open a huge market for our sustainable products and recycled textiles and expedite development of a supply chain

A commitment would make recovery commercially attractive to waste management companies

Help to schedule resources and attract industrial partners

Very important to enable the idea become reality in the near future

Required. Enable us to make decisions with our supply chain that we would not be able to without it

Very helpful. Help to secure finance to set up facilities

Will assist in speedy engagement of supply chain

Essential

Extremely useful and would allow us to get the technology out into the market place

Very useful. Allow early investment in specialist equipment to achieve environmentally friendly, low cost production