

**MCF 2 Lot 2**  
**Innovative Procurement Scope**  
**Call off contract, Schedule 2**

**Background:**

The overarching objective is to introduce best practices and innovative procurement solutions that contribute to the delivery of HE's strategic objectives, especially in C&P. This includes a more strategic approach to category strategy and procurement, the delivery of Highways England's efficiency & Carbon targets (as per C&P roadmap) such as carbon reduction roadmaps and incentivisation of suppliers to adopt and introduce innovative solutions and technologies.

**Required skills and areas of competency**

1. **Category strategies:** Rethink and developed tailored category strategies to actively shape supply markets and market dynamics to better achieve Highways England objectives using innovative economic techniques such as market design
2. **Efficiency gains:** Secure efficiency gains and achieve market-leading outcomes by applying game-theoretic tender techniques for products and services procured by Highways England
3. **TVO and supplier assessment:** Adopt a value driven approach using an innovative supplier assessment methodology, driving more objectivity, transparency in sourcing decisions, and enabling economically engineered incentives
4. **Cross-functional engagement:** Allow buying teams to better engage with cross-functional stakeholders, capturing requirements and inputs earlier and more robustly
5. **Incentives:** Design optimal contractual and reimbursement models and in-contract performance-based incentives, improving supplier performance from procurement through to project delivery
6. **Upskilling:** Provide category and procurement managers with the tools needed to aid their thinking and allow them to act more strategically

**Delivery requirements**

Highways England's strategic intent is to deliver game-theoretical solutions in the following areas

1. Conducting a '**proof-of-concept**' by supporting Highways England's teams in running a number **game-theoretically optimised tenders** to demonstrate superior outcomes compared to conventional methods
  - The engagement with supplier will help Commercial & Procurement to deliver their efficiency targets (expected to be between 10-20% based on comparable procurements)
2. Introduce a holistic and cross-functional **Total Value of Ownership (TVO) approach** with the aim of using it as a blueprint for supplier evaluation schemes across categories, enabling more objective and transparent sourcing decisions and tailored incentives for suppliers
3. Develop methods for how to **incentivise carbon reduction and innovation** as key objectives for Highway England, by incorporating these into 2.

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- The engagement with supplier will help Commercial & Procurement to deliver their Carbon agenda, based on the initial concepts developed as part of their engagement with the Pavements category team, including amongst others
  - Adaption of tender evaluation to include direct impact from committed carbon reduction
  - In-contract 'Contract management system' to allow for ensuring suppliers' adherence to carbon reduction commitments
  - Definition of dynamic rulesets for tender clauses incentivising carbon reduction proposals
  - Review and definition of carbon accounting requirements
  - Definition of actions and requirements for suppliers as default
- Based on the learnings from an initial scope, Highways England seeks to develop and implement the tools needed in procurement and category management overcome the strategy to implementation challenge

**Timescales:**

The work will be delivered between 3 September 2021 and 2 June 2022.