improvement and development agency

Sustainability and Local Government Procurement

IDeA procurement

national procurement strategy
for local government

Issue: 0
November 2003

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Contents

Executive summary

This guide explains how local authorities can develop and implement a sustainable procurement **policy** and a **risk-based strategy** designed to tackle the categories of spending that have the greatest environmental and social **impacts**.

It goes on to describe how sustainability can be built into the whole **procurement cycle:** identifying needs; appraising options; design and specification; supplier selection; tender evaluation; contract management and supplier development.

There must be compliance with the EC public procurement rules and Best Value. The **key opportunity** to consider environmental and social issues is at the earliest stages of the procurement cycle: identifying needs and building them into the design or specification. Adverse impacts should be **managed out** at this point.

Environmental and social criteria can be applied to a certain extent when selecting suppliers and at the contract award stage. Contract award criteria must always be objective, **relevant to the subject of the contract** and provide **best value for money for the local authority.**

Authorities should check that appropriate consideration has been given to sustainability at each stage in the procurement cycle. Senior managers (project owners) are recommended to adopt the 4ps **gateway review process.** For major projects this involves reviews at key decision points in the procurement cycle by a team that is independent of the project team.

Members and senior managers will want assurance that sustainability is being taken into account throughout the procurement cycle and should ask **challenging** questions.

Small firms, voluntary and community organizations, social enterprises and ethnic minority businesses are innovative and add value. They play an important role in the local economy and contribute to **social cohesion.** They often have **environmental goals.** It is important that they have access to the local government marketplace, including as members of the **supply chain** for strategic partnerships.

When inviting tenders for **major projects,** authorities should invite optional, priced proposals for the delivery of economic, social and environmental benefits defined in the **community strategy.**

Introduction

Estimated to be in excess of **£40 billion** a year, local government expenditure on goods, works and services clearly has significant **economic, social and environmental impacts.**

Local authorities have long been at the forefront of sustainable development and have gained valuable experience of "green procurement"

This guidance draws on the experience of English and Welsh local authorities to provide **practical advice** on how a commitment to sustainable development can be turned into an effective procurement **policy** and **strategy** and built into **processes.**

Our intention is that this guidance will help English local authorities to implement the joint ODPM/LGA *National Procurement Strategy for Local Government*. We hope that it will be found equally useful by local authorities in Wales and elsewhere in the public sector.

This guidance should be read in conjunction with the IDeA's main best practice guidance, *Modern Procurement Practice in Local Government*, and the associated short guides *(Procurement Essentials, Members Guide to Procurement* and *Managers Guide to Procurement)*.

Complementary guidance on race equality and employment issues in procurement is contained in the CRE's *Race Equality and Procurement in Local Government*, the Employers Organisation's *Workforce Matters in Local Government Procurement* and the ODPM Strategic Partnering Taskforce's Technical Note on *Employees and Partnerships*. See OCG/DTI *Smaller Supplier... Better Value?* on small firms and procurement.

This guidance explains current **good practice** in sustainable procurement and identifies the opportunities that are open to local authorities to pursue sustainable development objectives within the framework of public procurement law **(EC rules)** and **Best Value.**

The EC rules in question are contained in EC public procurement directives and the UK regulations that implement them. The rules cover the procurement of goods, works and services. They are complex and authorities must take their own legal advice on them. (They are helpfully summarized in a Joint Note from OGC and DEFRA on *Environmental Issues in Purchasing*.)

In line with *Modern Procurement Practice in Local Government*, in this guidance "procurement" means "the process of acquiring goods, works and services from suppliers" and "best value for money", when awarding a contract, is "the optimum combination of **whole life** *costs* and **benefits** to meet the **customer's requirement".**

Acknowledgements

The Improvement and Development Agency would like to acknowledge the valuable contribution of Barbara Morton, UMIST, in the development and production of this guidance, together with all those who provided constructive feedback during the consultation period.

Chapter 1

Why sustainable procurement?

Purpose and scope

1.0 This chapter puts local government procurement in the context of the sustainable development agenda, outlining the main drivers and the business case for sustainable procurement.

Sustainable development

1.1 The World Commission on Environment and Development (WCED) defines sustainable development as -
'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' (Brundtland Report).

1.2 For the European Union the key to sustainable development is that -
'Economic growth, social cohesion and environmental protection must go hand in hand'
(A Sustainable Europe for a Better World, 2001).

1.3 The **evidence** that a degrading environment is visibly impinging on our health, economies and security is helping to drive sustainable development.

1.4 Sustainable development is not just a concept, it is a stated objective of governments around the world (see *Table 1.1*) It is increasingly becoming the goal of businesses and organisations in the public and private sector, as well as that of individuals and communities.

Information on sustainable development

The UK Government's website (www.sustainable-development.gov.uk) sets out the government's definition of and approach to sustainable development

Other useful sites include:

- The United Nations Commission for Sustainable Development (www.un.org)
- The European Union (www.europa.eu.int)
- The World Business Council for Sustainable Development (www.wbcsd.org)
- Forum for the Future (www.forumforthefuture.org.uk)

Table 1.1 Information on sustainable development

The UK Government's approach

1.5 The Government's commitment to sustainable development is currently set out in *A Better Quality of Life (1999)*. This commitment has major implications for local authorities, businesses, community groups and individuals.

1.6 It has resulted in the introduction of:

- Legislation on pollution and waste management
- Taxes on waste, energy and natural resources (for example, landfill tax, aggregates)
- Voluntary measures to increase environmental and social reporting
- Best practice guidelines on corporate responsibility and community investment
- Producer responsibility for end-of-life products (for example, computers, vehicles)
- Phasing-out of environmentally damaging substances (for example, CFCs)

1.7 These measures are all driving companies and organisations to take the environment and social responsibility seriously in an attempt to avoid prosecution and minimise the overall risk to the business.

UK Government's sustainable development objectives

In *A Better Quality of Life* the UK Government defines sustainable development as meeting four objectives at the same time, in the UK and the world as a whole:

- Social progress which recognises the needs of everyone
- Effective protection of the environment
- Prudent use of natural resources
- Maintenance of high and stable levels of economic growth and employment

Table 1.2 UK government's sustainable development objectives

1.8 The Government's approach to sustainable development in **government departments and agencies** is set out in the *Framework for Sustainable Development on the Government Estate* launched in July 2002 (www.sustainable-development.gov.uk). This builds on the work of the former Greening Government initiative.

1.9 The *Framework* commits all Government departments to identify their most significant sustainable development impacts as the basis for prioritising the introduction of an Environmental Management System (EMS) based on EMAS2 or ISO 14000 or similar. For office sites these are to be in place by March 2004.

1.10 Other key features of the *Framework* include -

- Planned development of targets for all environmental impacts
- Extension of the *Framework* to cover social issues

1.11 Government departments must develop plans to target all their significant impacts, and allocate their resources accordingly.

1.12 Targets for environmental management systems, travel and water were announced in July 2002. The remaining targets will be announced in stages over the next year.

Sustainable procurement

1.13 At the 2002 World Summit on Sustainable Development in Johannesburg a Plan of Implementation was agreed. Paragraph 18c of the Plan states that relevant authorities at all levels should - "promote public procurement policies that encourage development and diffusion of environmentally sound goods and services".

1.14 The UK government's approach to sustainable procurement and estate management is set out the *Framework for Sustainable Development on the Government Estate*. The material contained in that online toolkit includes –

- OGC-DEFRA Joint Note on Environmental Issues in Purchasing
- Green Guide for Buyers
- Green Claims Code

1.15 In November 2001, DEFRA announced that a cross-Whitehall Sustainable Procurement Group would be established to develop recommendations on the procurement of sustainable goods and services within the framework of EC public procurement rules. The Group's report was published in October 2003 (www.sustainable-development.gov.uk). It supported a risk-based approach to sustainable procurement. It also identified where Quick Wins could be made in the areas of office supplies, other equipment, larger plant and consumables by buying products that meet standards for energy efficiency, recycled content and biodegradability.

1.16 In November 2003, DEFRA and OGC announced a mandatory requirement for all new goverment department contracts to comply with the specified environmental standards ("Quick Win specifications"). *See Table 1.3*

Quick Wins

The Goverment has announced a number of "Quick Win specifications. All Departments are expected to buy goods that meet or exceed the specifications or to account for the discrepancy.

These specifications have been published by OGC Buying Solutions: (http://www.ogcbuyingsolutions.gov.uk) together with information on the OGCbs framework agreements (e.g. G-Cat) that can be used to acquire goods and services meeting the specifications.

Examples of Quick Win specifications are:

- PCs - current "Energy Star" requirements
- Copying paper - 100% recycled content - minimum 75% post-consumer waste
- Paper for printed publications - minimum 60% recycled content - of which 75% post-consumer waste
- Kitchen and toilet tissue - 100% recycled content.
- Growing media and soil improvers - all ingredients to be derived from the processing & /or re-use of waste materials.

Table 1.3. Quick Wins

1.17 The *Framework* and Quick Win requirements does not apply directly to local authorities. The current position in local government is described below.

1.18 **Local authorities** have been **pioneers** of sustainable procurement and this guidance contains many examples of what has already been achieved at the local level.

1.19 Local government first took its lead from the 1992 Rio "Earth Summit", and many local authorities developed green procurement policies and strategies as part of their contribution to *Local Agenda 21*.

1.20 The Local Government Act 2000 placed a duty on English and Welsh local authorities to prepare a community strategy for promoting or improving the **economic, social and environmental well-being of their area** and contributing to the achievement of **sustainable development in the UK** and gave authorities the power to do anything they consider is likely to achieve the promotion of the area's well-being in that sense (the **"well-being power"**).

1.21 ODPM Circular 03/2003 on Best Value and Performance Improvement reiterates that sustainable development and equity are fundamental to the **Best Value** regime.

1.22 The circular states that -
"Within procurement, the Government's definition of "best value" is "the optimum combination of whole life costs and benefits to meet the customer's requirement". This approach enables sustainability and quality to be taken into account. For example, the consideration of whole life costs allows factors such as fuel efficiency and replacement cycles to be taken into account."

1.23 NAFW Circular 18/2002 on the Wales Programme for Improvement similarly makes it clear that authorities need to have arrangements in place to make sustainability and equality of opportunity integral to their work.

1.24 The ODPM/LGA *National Procurement Strategy for Local Government* (2003-06) in England includes in its vision for local government procurement that by 2006 authorities will be -

- Realizing economic, social and environmental benefits for their communities through their procurement activities.
- Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services.

1.25 Specific milestone targets in the *Strategy* are shown in *Table 1.4.* These are considered further in **Chapter 10** below.

National Procurement Strategy for Local Government

Key Theme: Stimulating markets and achieving community benefits

The strategic objectives are that councils should –

- Engage actively with suppliers
- Use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan.

From 2003

- Where relevant, all councils shall consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act 2003, Circular 03/2003 and the associated code of practice.

By 2004

- Every council should publish a "Selling to the Council" guide on its corporate website together with details of bidding opportunities and contact details for each contract.

- All corporate procurement strategies should address:
- The relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability;
- How the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.

- Every council should build sustainability into its procurement strategy, processes and contracts.

- Every council should conclude a compact with the local voluntary and community sector.

- Procurement processes for partnerships should include:

- Issuing an information memorandum to prospective bidders setting out the background to the project, the councils objectives and an outline of the procurement process and timetable, with roles and responsibilities made clear.

- Inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms; this should continue to be examined as part of contract management.

By 2005

- Every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit, optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan.

- Every council should have signed up to the national concordat for SMEs.

Table 1.4. National Procurement Strategy for Local Government

The business case for sustainable procurement

1.26 There is a strong **business case** for sustainable procurement in local government. The business case can be summarised as:

- Achieving strategic objectives
- Complying with environmental law
- Controlling costs
- Managing risk and reputation
- Creating markets
- Ensuring security of supply
- Ensuring maximum community benefits.

Achieving strategic objectives

1.27 As mentioned above, procurement has a key role to play in delivering the authority's strategic objectives, particularly the economic, social and environmental objectives set out in the **community strategy** and **performance plan.**

Complying with environmental law

1.28 There is a growing body of **environmental law** that must be given effect through procurement decisions including -

- International obligations - UK government has signed up to international obligations such as the Kyoto Protocol (on climate change) and Agenda 21 (on sustainable development). These influence national policy and legislation. For example, international obligations are behind moves in the UK to reduce CO_2 emissions, ban ozone-depleting substances and protect biodiversity.

- The European Community is responsible for environmental legislation that has a direct bearing on UK local government procurement. European Directives are being developed in key areas such as waste management, producer responsibility and environmental liability.

- The key piece of environmental legislation in the UK is the Environmental Protection Act 1990, which aims to control pollution to air, land and water.

Controlling costs

1.29 The inferior quality of some early examples of so-called 'greener' products led many to believe that best value for money was not achieved through 'greener' procurement. As quality has improved, authorities have been able to source products with better environmental characteristics, using a **whole life costing** approach, and have demonstrated the **cost savings** that can be achieved. (Examples are to be found in the Business in the Environment / CIPS publication *Buying into a Green Future*).

1.30 Furthermore, environmental management can bring savings in operating costs – notably through **minimisation of waste.** Landfill tax charges are increasing year-on-year. They are currently set at £12 per tonne and can be expected to rise in line with other EU nations over the next 10-15 years, which could mean paying £60 per tonne of waste.

1.31 More resource-efficient design and construction, less waste and the re-use of resources make cost reductions possible in sustainable **construction projects.** Whole life costs can be substantially reduced by an **energy-efficient design**. While the cost profile of a green project may differ from a conventional one, there is mounting evidence that sustainable construction procurement does not necessarily result in increased capital costs.

1.32 Sustainable procurement often demands **improved management information systems** since costs need to be transparent before effective measures can be introduced to control them. Many organisations can now report savings in energy management largely because of the improved metering and monitoring systems that have been introduced. Applying the same principle to routine procurements can reveal huge savings opportunities.

Managing risk and reputation

1.33 Business risks are posed to authorities through the operations of their suppliers - where suppliers are in breach of environmental regulations, for example.

1.34 An additional risk is that poor performance on the part of suppliers can result in unwelcome press and other media coverage. **Authorities cannot outsource their environmental and social**

responsibilities. They need to understand the risks associated with products, works and services as well as with the suppliers involved, in order to be able to write a contract that deals effectively with these risks.

1.35 **Benchmarking** of environmental and social performance is likely to become more widespread in local government as it has in business and commerce generally. This gives individual local authorities the opportunity to raise awareness of their sustainable procurement performance. Much effort is now being devoted to benchmarking sustainable construction projects (including use of the Environment and Respect for People key performance indicators (KPIs) developed by DTI-sponsored Construction Best Practice).

Creating markets

1.36 The significant **spending power** of local government can have a significant influence on the key markets in which it operates (see www.wrap.org.uk).

1.37 Authorities with significant buying power in particular markets can, for example:

- encourage suppliers to invest in new technologies
- encourage suppliers to develop new products with higher environmental specifications
- stimulate markets for recycled products or those with a high recycled material content
- stimulate markets for services delivering the function of products at lower environmental cost.

1.38 The creation of markets should be seen in the context of the shift from products to services. Suppliers increasingly offer a service based on the function provided by products rather than the product itself. This helps to drive down **environmental impact** and allows scope for new procurement arrangements such as flat fees in return for the function provided. This in turn stimulates **innovation** amongst suppliers, since they are rewarded for developing services that result in less environmental harm. Authorities need to reflect this focus on function provided in their contracts and negotiations with suppliers.

Ensuring security of supply

1.39 Environmental pressures in particular are already having an impact on the **security of supply** of vital goods and services. Threats can be posed from the elimination of certain substances (such as hazardous chemicals) through regulation, for example. Authorities must know of the potential implications for supply in time to source alternative materials or to ensure that existing suppliers can continue to meet their needs. The increasingly global nature of business activities creates further pressures on companies to address the environmental and social performance of their **supply chains.**

1.40 The reliability and quality of supply of goods and services can also be influenced by the extent of the involvement of local stakeholders in the delivery of services. This can also affect the maintenance of local services and facilities (for example, local parks and infrastructure) for reasons including vandalism. Community and voluntary organisations and social enterprises, for example, can have multiple social and environmental goals which complement a council's strategic objectives and will therefore assist them in delivering these alongside the goods , works and services in question (such as a commitment to recycling). See **Chapter 10**.

Chapter 2

Understanding environmental and social impacts

Purpose and scope

2.0 This chapter outlines the most significant environmental and social impacts. This is intended to help authorities to identify the risk profile of their procurements. To draw up a definitive list of impacts you will need to draw on specialists inside and outside the authority.

Environmental and social impacts

2.1 In order to be able to assess the risks associated with products and services procured in local government (see **Chapter 3**), authorities need to understand something about their **major environmental and social impacts.**

2.2 Cross-functional project teams (involving environmental specialists and technical staff, for example) can be used to identify the main issues and risks. For most local authorities, this knowledge will have to be built up and developed over time.

2.3 Procurement professionals can use various sources of information - both internal and external - to help develop an understanding of these issues. It is important not to overlook the role suppliers can play - since they are often best placed to identify the relevant issues. Procurement professionals need to know what questions to ask and when, as outlined in this guidance.

2.4 *Figure 2.1* shows a simplified diagram of the stages in the lifecycle of a product or service. Environmental and social impacts can occur at each of these stages.

Figure 2.1: Simplified stages of a product's life cycle

Environmental impacts

2.5 Environmental impacts occur at all stages of a product's life – from extraction of raw materials, through manufacture and distribution of the product, to its use and ultimate disposal.

2.6 The sorts of negative environmental impacts that can occur during these stages of the life cycle include:

Materials and resources

- depletion of non-renewable resources
- generation of polluting emissions to air and water
- the use of energy (involving extraction and burning of fossil fuel)
- destruction of habitats and loss of biodiversity

Manufacture

- emissions to air, land and water, including ozone, volatile organic compounds (VOCs), CO2, NOx and SOx
- generation of solid waste.
- emissions associated with transport
- the energy used in manufacture
- manufacture and use of packaging

2.7 Impacts associated with air emissions arising from the use of solvents in manufacture are shown in **Annex 2.1** (see also *Forum for the Future, 2002*).

Distribution

- emissions to air, land and water
- use of energy
- the building of roads and associated infrastructure, the manufacture of vehicles, etc (see **Annex 2.1** for further details)

Use

- use of energy, for example, electricity or petrol - the generation and use of which is associated with CO2, NOx, SO2 and particulates, and which contributes to acid rain, global warming and health impacts (see **Annex 2.1**)
- use of some products, for example, photocopiers and printers, can lead to the generation of ozone, which has local health effects
- emissions to air, land and water.

End-of-life management

- environmental impacts associated with the disposal (incineration, landfill, etc.) (see **Annex 2.1**)

2.8 As an illustration of the relevant issues, **Annex 2.2** provides information on the environmental impacts of building materials, electronic equipment, furniture and printing (see also Forum for the Future, 2002).

Social impacts

2.9 A wide range of social impacts can be associated with the procurement of goods, works and services, particularly where extended and/or global supply chains are involved.

2.10 Some of these are directly related to the extraction, processing, manufacture, use and disposal of products. For example, people living and working near particular operations can experience:

- health problems associated with, for example, dust from quarrying, air emissions associated with particular manufacturing processes or transport
- nuisance from noise, dust and odour (for example, near landfill sites or quarries)
- loss of cultural heritage
- loss of local resources on which they depend – either directly (for example, timber) or indirectly (for example, through damage to ecosystems by particular activities in an area).

2.11 Other social impacts can result more generally from the way in which the companies or organisations involved in the manufacture of products or the delivery of services carry out their operations.

2.12 Suppliers' activities may have negative social impacts on a range of stakeholders (see *Table 2.1*).

Stakeholders

Stakeholders are those groups and/or individuals who are affected by, or can affect, a company or organisation. They may include, but are not limited to:

- owners
- trustees
- employees
- trade unions
- members
- shareholders
- suppliers
- competitors
- customers
- government
- regulators
- local and international communities
- pressure groups
- non-governmental organisations (NGOs)

Table 2.1 Stakeholders

2.13 There are also positive **benefits and impacts** from many suppliers such as training commitments, economic multiplier effects in the local economy, support for regeneration, and enterprise growth and development.

2.14 These may be associated with small firms, community and voluntary organisations, social enterprises and ethnic minority businesses in the "social economy" (see **Chapter 10**).

Finding information on products and services

2.15 **Annex 2.2** lists some of the sources of information on environmental and social impacts of particular products and services. These can be a valuable source of information when trying to assess which products and services to *specify* (see **Chapter 5**).

EC rules and Best Value

2.16 Information on environmental and social impacts alone cannot provide the definitive answer about which goods or services to procure or which projects to undertake.

2.17 Authorities must take account of the EC public procurement directives and the UK regulations that implement them (EC rules) and Best Value. Decisions should only be made in the light of the authority's objectives and priorities (as set out in the procurement strategy).

2.18 **Chapters 4** to **10** provide further information on opportunities within the framework of the procurement regulations and Best Value for considering environmental and social impacts at the design/specification, supplier selection and tender evaluation stages.

Annex 2.1: Environmental impacts along the lifecycle

Environmental impacts of MINERAL EXTRACTION

Extraction of minerals such as limestone, sandstone, gravel, sand, coal or china clay can be extremely damaging to the environment and can impact on local communities in a variety of ways. These impacts include:

- Noise and vibration (during extraction, processing and construction phases)
- Dust (from quarrying, traffic, etc)
- Pollution of surface and groundwater
- Visual impacts and loss of land
- Increased traffic and associated energy use, dust, noise, nuisance, etc
- Health and safety impacts associated with extractive industries
- Use of energy for extraction and processing
- Loss of cultural heritage
- Reduced local and global air quality with subsequent effects on health
- Production and disposal of waste materials and associated landfill impacts
- Exhaustion of non-renewable resources
- Reduction of biodiversity (directly through the use and loss of habitats, and indirectly through dust, noise, etc)

Environmental impacts of SOLVENTS

Organic solvents are used in many products and manufacturing processes (for example, inks, paints, timber preservatives, printers, etc). Solvents contain Volatile Organic Compounds (VOCs). VOCs are air pollutants, their main impact being to contribute to low-level photochemical smog. VOCs react with nitrogen oxides to produce ground-level ozone that can damage lungs, crops and natural vegetation. Organic solvents are also implicated in high-level ozone depletion and global warming, are often highly flammable, can have direct health impacts by absorption through the skin and often have a pungent odour. Small amounts of organic solvent released into the environment can also threaten flora, fauna and health as it permeates groundwater and water courses. Printworks are a major source of VOCs, accounting for around 10% of VOCs emitted by industry in 1995.

Environmental impacts of ROAD TRANSPORT

Road transport is a major source of air pollutants including:

Hydrocarbons (HCs). HCs react with NOx in sunlight to produce photochemical oxidants, including ozone, which can cause throat and eye irritation and damage plants. Ozone also contributes to acid rain and the greenhouse effect.

Benzene. Benzene is present in petrol and diesel. 8% of benzene in the UK comes from petrol vehicle exhausts. It is known to cause cancer.

Nitrogen oxides (NOx). NOx is given off wherever fuel is burned. Road traffic is responsible for 46% of total UK emissions. As well as reacting with HCs to produce photochemical pollution, NOx emissions contribute to acid rain.

Carbon monoxide (CO). CO results from the incomplete burning of fuel. Road traffic produces 75% of all CO in the UK. When inhaled, CO can cause headaches, fatigue, stress, respiratory problems and – at very high levels – death.

Particulate matter. This consists of partly burned fuel. Road vehicles (especially diesel) are the largest source of smoke in the UK. Diesel exhaust smells and produces dirt, soiling city buildings. There are concerns about the health effects of PM10 – tiny particles that can penetrate into the lungs.

Carbon dioxide (CO_2). CO_2 is a greenhouse gas which contributes to global warming. It is produced whenever anything organic is burned. Road vehicles produce 20% of the UK's CO_2 emissions.

Lead: Lead is added to petrol to improve performance. When leaded petrol is used, it is emitted from the exhaust. Lead is known to be a poison which builds up in the body and may affect the development of children. Petrol is still a significant source of lead in the air.

Noise: Road traffic is the predominant source of noise pollution in most areas (mainly due to the sheer volume of traffic, although individual vehicles may be noisy).

The manufacture and use of vehicles also have impacts through:

- The extraction and use of steel, aluminium, copper, zinc, lead, plastic and rubber in vehicle manufacture.
- Use of fossil fuels (diesel and fossil fuel) and energy during production.
- Space requirements for transport infrastructure.
- Disposal of worn out car parts and end-of-life vehicles. Cars contain many hazardous or contaminated materials such as batteries, exhaust systems and oil. Tyres are a major waste stream that is difficult to dispose of.

Environmental impacts of LANDFILL

It is estimated that around 42 million tonnes of commercial and industrial waste is disposed of in landfill sites each year. Disposal of waste to landfill has a number of environmental impacts.

- Decomposition of biodegradable waste leads to emissions of greenhouse gases, including methane and CO_2, which contribute to global warming.
- As liquids seep through the contents of a waste disposal site (particularly after heavy rainfall), a potent cocktail of substrates and liquid (call leachate) is formed. Leachates initially have a high biological oxygen demand (BOD) which, if they escape from the landfill site, can starve neighbouring streams, rivers and groundwater of life-sustaining oxygen (ie causing death of flora and fauna). Leachates also have an unpleasant odour.
- Landfills are unsightly and cause nuisance (for example, odour, vermin, litter, dustcart movements) for nearby residents.
- Landfill represents an inefficient use of land. A shortage of suitable landfill sites is leading to waste being transported out of areas for disposal (for example, London's waste is taken to Oxfordshire).

(Source: Forum for the Future (2002) *Sustainable Purchasing: Guidance for Developing Sustainable Purchasing Strategies in Universities and Colleges*).

Annex 2.2: Further information on environmental and social impacts

The UK Government's *Framework for the Sustainable Development on the Government Estate* (www.sustainable-development.gov.uk) is a good source of information on the environmental impacts of products – both in terms of general information on green procurement and for specific products.

In particular, see the *Green Guide for Buyers* contains information sheets and best practice guidance for the following areas:

- Asbestos (Action sheet)
- Batteries (Action sheet)
- Biodegradable Substances (Action sheet)
- Climate Change (Action sheet)
- Construction
- Energy Efficiency (Action sheet)
- Hazardous Substances (Action sheet)
- Horticulture (Action sheet)
- IT - Green Guide
- Noise (Action sheet)
- Office Equipment Guide
- Ozone Depleting Substances (Action sheet)
- Paper (Action sheet)
- Pesticides and Artificial Fertilisers (Action sheet)
- Solvents (Action sheet)
- Stationery (Action sheet)
- Transport (Action sheet)
- Transport Green Guide
- Waste & Litter (Action sheet)
- Waste Guide
- Water (Action sheet)
- Water Conservation Guide
- Wood (Action sheet)

The US Environmental Protection Agency (EPA) produces a range of environmentally preferable purchasing guides (see www.epa.gov) including the following:

- Greening your purchase of food service ware
- Greening your purchase of copiers
- Greening your purchase of cleaning products
- Greening your purchase of carpets
- Greening your purchase of electronics
- Greening your meetings and conferences

A number of websites provide a signposting service for green and/or ethical products and services. There are also numerous companies dedicated to the sale of green or ethical consumer products and/or companies. See, for example:

- www.ethicalconsumer.org
- www.ethical-junction.org
- www.nrf.org
- www.greendirectory.net
- www.gogreen.cellande.co.uk
- www.sustlife.com
- www.greenmarketplace.com
- www.responsibleshopper.com
- www.getethical.com

Chapter 3

Implementing a policy and strategy

Purpose and scope

3.0 This chapter addresses how local authorities can make a formal commitment to sustainable procurement and ensure that it is implemented effectively.

Who is involved?

3.1 *Modern Procurement Practice in Local Government* highlights the critical importance of strong **leadership** by members and senior managers. This is particularly important for sustainable procurement as highlighted in *Sustainable Procurement – Making it Happen* (SOLACE/IDeA/WRAP, 2003).

3.2 In practical terms the implementation of sustainable procurement is best led by the **head of procurement** although **chief officers** responsible for construction and engineering will clearly play a key role in sustainable construction procurement.

3.3 Other key stakeholders that will be involved in the identification of goods and services to be procured include:

- Chief finance officer (see *Table 3.1*)
- Sustainability officer
- Budget holders
- Internal customers
- Technical specifiers
- Users of products and services

The role of financial management in sustainable procurement

Chief finance officers and other financial managers in local government have a significant role to play in enabling and encouraging sustainable procurement.

They can:

- Address the issue of 'hidden' overheads by introducing financial information systems that reveal all of the costs associated with the acquisition of a product or service (from 'cradle to grave').
- Encouraging the application of whole life costing principles.
- Allocate budgets so as to encourage budget-holders to 'invest to save'. This may mean, for example, allowing extended payback periods for equipment purchased.
- Allowing savings achieved by budget-holders to be used to 'pump-prime' other social or environmental initiatives.

Table 3.1 The role of financial management in sustainable procurement

Making a commitment

3.4 An effective way of formalising the authority's commitment is to develop a **sustainable procurement policy.** This will form one of a number of procurement policies, alongside best value for money etc. (see *Modern Procurement Practice in Local Government*) included in the authority's corporate procurement strategy or procurement code of practice/manual.

3.5 Procurement commitments should relate to the **strategic objectives** of the authority, as outlined in its community strategy, corporate plan, sustainable development strategy (LA21) and economic development/regeneration strategies.

Developing a sustainable procurement policy

3.6 A sustainable procurement policy is a public statement of the authority's commitment to environmentally and socially sustainable procurement.

3.7 Information on how authorities have addressed the development of sustainable and environmental procurement policies can be found in the ICLEI publication *The World Buys Green* (ICLEI, 2001) (www.iclei.org/ecoprocura).

3.8 The policy should commit the authority to the concepts of:

- minimising the environmental band social impacts associated with the products and services it purchases
- working with suppliers and (internal) customers to do the same.

3.9 It should reflect:

- the main environmental and social impacts of the products and services the authority purchases (i.e. it should be relevant to the authority)
- priorities and objectives set out in the authority's environmental/sustainability policy (for example, a focus on energy reduction, recycling, regeneration, social enterprise, etc)
- the needs of the area and community.

3.10 It should set out:

- objectives and targets
- mechanisms and tools to be used such as whole-life costing, and integrated assessment of well being issues (social, economic and environmental) relating to the service in question and the needs of the community
- the role of procurement professionals (and others) in bringing about sustainable development.

3.11 The authority will also need to decide whether to focus on all products and services, or to start with a limited number, for example, those with the biggest impact (see **Chapter 2**), or the highest-value procurements.

3.12 *Table 3.2* illustrates the approach taken by Kirklees Council.

Kirklees Council Environmental Purchasing Policy

Introduction

This document sets out the Council's environmental policies on environmental purchasing.

For a full set of the Council's environmental policies, see the separate publication "Kirklees Environment Policy". This contains two specific Policy points in relation to purchasing, as follows:

"PU1 – Minimise the environmental impact of all Council purchases of goods and services through a comprehensive environmental purchasing policy.

PU2 – Work in partnership with our suppliers and contractors to minimise the environmental and social impacts of our supply chain"

It is the Council's responsibility to ensure that negative impacts on the environment are kept as low as possible, especially now that we have an Environmental Management System, EMAS, in place. The Council is a major purchaser of goods and services and can therefore have a significant effect on the local environment.

The purchase of environmentally friendly products has two potential benefits – the market for such products is created or supported, and bulk purchases can bring about cheaper prices for such products.

An environmental purchasing policy helps to minimise the following, potential harmful effects:

- Emissions to air, water and land during the production, operation and disposal of goods (including carbon dioxide emission from energy consumption and associated air pollution and global climate change)
- Depletion of the world's resources, particularly those which are scarce or non-renewable

It is the policy of Kirklees Council to:

- Purchase goods and procure services which as far as possible reflect up-to-date specifications or standards for environmental sustainability
- Make it a requirement of Council contracts or specifications that, when working for the Council, contractors and suppliers maintain environmental standards equivalent to the Council's own standards
- Ban the use of environmentally damaging products or processes by the Council where a less environmentally damaging alternative is available. Specifically banned are: …
- Restrict the use of the following products by using practical alternatives: …
- Reduce the purchase of new products by re-using, repairing or refurbishing existing products
- Specify products which are made form recycled material
- Specify products which are the most energy efficient available, both in their manufacture and operation
- Specify products which cause minimal damage to the environment in their manufacture, distribution, use and disposal
- In order to reduce the negative impact of vehicles, purchase Euro 3 specification lean burn diesel engine vehicles

Table 3.2. Kirklees Council Environmental Purchasing Policy

Putting the policy into practice

3.13 A sustainable procurement policy should act as the **driver** for reducing the environmental and social impacts of all procurement decisions and maximising the positive effects. This will only happen if the policy is **endorsed at member and senior management level,** and mechanisms are put in place to ensure it is **mainstreamed** as part of the corporate procurement process.

3.14 This means that -

- The policy should be signed (and dated) by the Executive Member responsible for procurement and the Chief Executive.
- It should be regularly revisited and updated in the light of outcomes and experience.
- The policy should be widely disseminated.
- People involved in procurement should have an in-depth introduction to the policy and what it means in practice (possibly through a workshop or seminar).
- Supporting information should be available, for example, guidance documents (possibly on-line), further sources of information, etc.
- Progress should be monitored (for example, how are people using the policy, if at all; can it be improved, etc).

Developing a risk-based strategy

3.15 When introducing sustainable procurement, most organisations are immediately confronted with the environmental effects of a wide range of procurements as well as the suppliers supplying them. It can be difficult to know where to start.

3.16 Those organisations with most experience in this area have found that trying to tackle every product and service and every supplier at the same time is a hugely resource-intensive task. Indeed, it is simply not an option for most authorities. A much more effective approach is to find a means of **prioritising** actions.

3.17 For authorities starting out on this process, it is not enough to look only at high-spend products and services. Major environmental impacts can occur where expenditure is quite low. Similarly, companies cannot afford to concentrate solely on their largest suppliers, as small suppliers can have high environmental impacts.

3.18 Procurors and others involved in this process need to find an approach to prioritising that is appropriate to their circumstances. The types of products and services purchased and the manner in which procurement is carried out vary widely between authorities. So too does the level of expertise within authorities. These factors are relevant to the choice of approach and include:

- the nature of the products and services purchased, such as products supplied to your own specification, finished products for office-based activities, and the services of sub-contractors;
- the organisation of procurement and whether it is centralised or devolved; and
- the level of environmental and social expertise available in your authority.

3.19 One common approach is to identify the products and suppliers associated with the **highest risk**. This is defined by many organisations as a combination of the following factors:

- **environmental risk,** this might focus on the most energy-consuming equipment, and products containing hazardous materials; it is advocated that this risk assessment is carried out in liaison/collaboration with environmental specialists.

- risk to the authority's **reputation** or 'profile', this might focus on a waste management contractor who dumps the authority's waste illegally; and
- risk to **security of supply**, this might focus on strategically important suppliers with poor environmental performance.

3.20 Sustainable procurement should be seen as part of the process of managing business risk. In introducing environmental and social criteria to the process of acquiring goods and services, most organisations try to integrate these issues as closely as possible into routine business practice. It makes sense for sustainable development to be seen as another aspect of commercial relationships. Environmental and social factors can then be fully integrated into day-to-day procurement operations.

3.21 One approach to prioritisation is to consider **'sustainable procurement risk'** as a combination of environment risk and 'profile' risk. 'Sustainable procurement risk' varies according to the actual environmental impact of the procurement and also with the perception of those outside the authority. A procurement can be classified as having a high or low 'environmental risk', for example, in terms of the:

- sustainability of the raw materials used
- energy consumed in the conversion process
- environmental impact 'in use'
- ability to be reused or recycled
- biodegradability at the end of its useful life.

3.22 The assessment of **environmental risk** should be based on either a formal risk assessment or the priorities already identified in the local authority's sustainable development / environmental policy and its sustainable procurement strategy. **'Profile' risk** is based on perception - what have pressure groups and the media led stakeholders to believe are products and services that should be bought in an environmentally sound/ethical manner?

3.23 A procurement can be classified as having a high or low 'profile risk', for example, in terms of the:

- public's perception of whether the procurement is 'environmentally friendly'
- potential for adverse publicity associated with the procurement
- potential to detract from the authority's 'good environmental and social/community objectives'.

3.24 To gain an insight of 'profile risk', one need only consider the adverse 'profile' impact that the Brent Spar disposal had on Shell who, it is now thought with the benefit of hindsight, were actually behaving in an environmentally responsible manner!

3.25 An example of good practice in this respect is that of the Environment Agency which as part of its procurement strategy uses five questions in its 'high level environmental risk assessment' - as shown in *Table 3.3* and at www.environment-agency.gov.uk.

Environment Agency 's
Basic Environmental and Social Risk Assessment

Procurement should … evaluate the significant environmental risks/impacts of the intended purchase by providing answers to the following six key questions. Procurement should then determine the likelihood of a developing world supply chain (developing world in this context is broadly defined as supply chains that enter South America, Asia, Africa and Australasia):

1 Does the purchase or the service provider have potential for high-energy consumption? (e.g. A pump uses a significant amount of energy in its life)

2 Is the product made of, or does the service provider use unsustainable materials? (e.g. Consider whether the materials regenerate themselves such as softwood timber whereas aggregates do not regenerate themselves etc)

3 Does the item or the service provider have potential to cause a pollution incident in the performance of our work? (e.g. Plant working in or near a water course has the potential to cause pollution due to the amount of fuel/ hydraulic fluids contained in the machine)

4 Are excessive emissions (land, air, and water) caused during the manufacture of goods used directly or by service providers? (e.g. Consider how processed and manufactured the goods/ service are, plastics are highly processed from oils with subsequent high energy inputs and emissions)

5 Is there a likelihood of a developing world supply chain? (e.g. Consider if the materials that comprise the good or service typically originate from the developing world, also is manufacturing likely to be in the developing world. For example, electronic components are often made in the developing world. The majority of items that comprise rubber will typically have originated in the developing world etc)

6 Is there an environmental/ social PR risk to the organisation in purchasing the product or service? (e.g. Any purchase of tropical hardwoods/ potential use of child labour can result in negative press)

This again will start to flag the degree of environmental and social risk present in the contract.

Table3.3. Environment Agency's Basic Environmental and Social Risk Assessment

3.26 The first stage of the approach therefore, classifies purchases you are responsible for by a 'tick' against both the environmental and profile risk (see *Table 3.4*). For illustrative purposes, the purchase of paper has been taken. Paper has a comparatively low environmental risk, in that the debate is still going on as to whether recycled paper is 'good for the environment' per se. However, to those outside the authority, what the authority is perceived to be doing about 'paper' and whether recycled paper is used, has the potential to undermine other environmental actions.

3.27 Obviously different parts of the authority will have different perceptions of risk, but that is unimportant. You should merely consider the range of procurements specifically within your remit and compare them.

	Environmental Risk		Profile Risk	
Procurement	**Low**	**High**	**Low**	**High**
Paper	✓			✓
Procurement B		✓	✓	
Procurement C		✓		✓
Procurement D	✓		✓	
etc.				

Table 3.4: Table for the categorisation of sustainable procurement risk.

3.28 Having categorised the potential risks, the next step is to position your procurements within a sustainable procurement *risk matrix*:

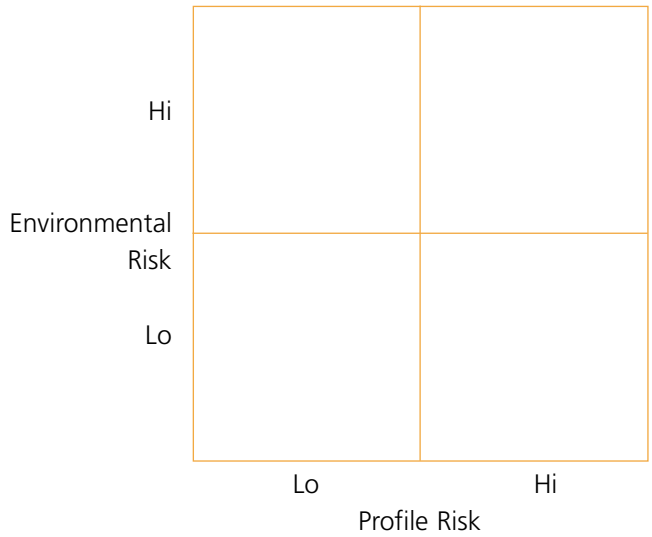

Figure 3.2: Sustainable procurement risk matrix

3.29 The sustainable procurement risk matrix will help authorities to develop appropriate procurement strategies. This model is used to distinguish relative risks. There are no right and wrong answers, it is subjective and will be council specific - profile risk is based on perceptions of stakeholders, hence the importance of wide consultation in the development of a sustainable procurement policy.

3.30 Having considered and mapped the portfolio it is then possible to decide where **attention** should be focussed - and to target **resources** appropriately.

3.31 *Figure 3.3* below summarises strategies that may be adopted.

↑ **Environmental**	**Priority 2** Reduce consumption Green options sought Cost/benefits evaluated Green supplier selection (dependent of subject matter of contract) Green design Green specifications Whole life costing Ensure issues included in consultancy/design briefs	**Priority 1** Reduce consumption Green options sought Cost/benefits evaluated Green supplier selection (dependent on subject matter of the contract) Green design Green specifications Whole life costing Ensure issues included in consultancy/design briefs Gain commitment to future action
Risk	**Priority 4**	**Priority 3**
	Reduce consumption Increase awareness and encourage via questionnaire and referral to policy. Exercise caution re green marketing.	Reduce consumption Green specifications only on basis of cost/benefits. Increase awareness and encourage via questionnaire and referral to policy. Minimal green supplier appraisal (3rd Party).

Profile Risk →

Figure 3 .3 Overview of strategies

Identifying priorities

3.32 Attention should be given to the **Priority 1** category, although it will be possible, given the range of strategies (outlined in **Chapters 4** to **10**) to systematically address each contract in some way as it approaches renewal.

3.33 Priority 1 options, for example, include:

- reduce consumption
- green options/variants sought
- supplier selection on green criteria provided supplier performance is directly relevant to the subject matter of the contract
- green designs
- green specifications
- whole life costs
- ensure issues included in consultancy/design briefs
- gain commitment to future action

3.34 The strategies outlined here are intended to be proportional to the risks identified. Local authorities should determine their own strategies, which must be in line with their sustainable procurement policy statements and the procurement regulations (EC rules).

3.35 The important point is that the adopted strategies should be agreed and documented and a **system** should be put in place to ensure that the appropriate strategies are routinely implemented.

Chapter 4

Procurement process

Purpose and scope

4.0 This chapter outlines the steps in the procurement cycle and identifies key review points (gates) at which sustainability considerations can be built in.

Procurement cycle

4.1 As discussed in *Modern Procurement Practice in Local Government*, it is helpful to think of the procurement process as a *cycle* (see *Figure 4.1*).

4.2 Higher risk procurements should be managed as projects with a senior manager in the role of **"project owner"** driving the project forward. A dedicated **project manager** co-ordinates the work of a **project team.**

4.3 Viewing the procurement process as a cycle emphasises the importance of **option appraisal** and the development of a **business case.** It ensures that procurement is not mistakenly regarded as simply the process of advertising and evaluating tenders.

4.4 The following chapters look in further detail at how sustainability can be taken into account at key stages in the cycle.

Gateway reviews

4.5 Under the *National Procurement Strategy for Local Government*, 4ps are tasked with implementing a gateway review process in local government for major procurement projects.

4.6 This gateways process is outlined in the IDeA's in *Modern Procurement Practice in Local Government* and detailed in the 4ps *Gateway Review Workbooks*.

4.7 In short, procurement projects should not pass through the **gates** (review points) unless they have satisfied specified requirements including, in higher risk projects, review by an independent peer review team.

4.8 *Sustainable Procurement – Making it Happen* indicates how sustainability objectives can be built into the gateway process. *Figure 4.1* on the next page indicates the review points ("gates") in the procurement cycle at which the authority could ask "has everything necessary been done to achieve our sustainability objectives?"

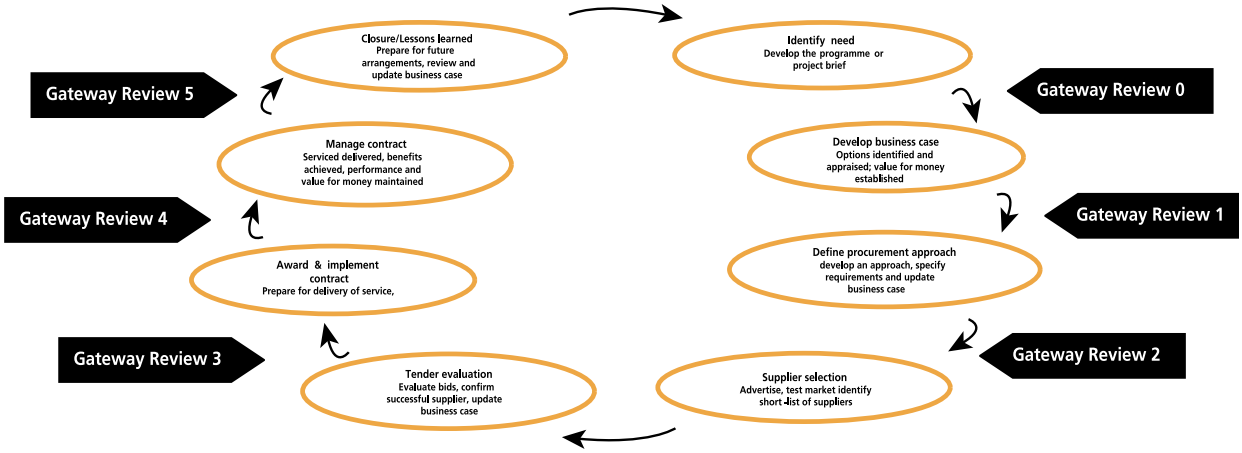

Figure 4.1 The procurement cycle and gateways.

4.9 The *Manager's Checklist* within the Office of Government Commerce's *Achieving Excellence Construction* procurement guidance series indicates the type of questions that project owners should ask in a major construction project (*Table 4.1*).

Sustainability in the gateway review process for construction projects

Gate 0

- Have we identified the major risks and issues relating to sustainability?
- Can we demonstrate compliance with current sustainability initiatives?

Gate 1

- Have we reassessed the sustainability risks, focussing attention on priority areas?
- Have sustainable requirements been set out in the brief?

Gate 2

- Are sustainability requirements covered in output specifications, and included in selection and award criteria, while not restricting innovation or further improvements in sustainable performance?

Gate 3

- Have we ensured that proposed on-site construction practices are sustainable – eg recycling, clean, safe site and can the team demonstrate these proposals?

Decision point 1 (outline design)

- Have we checked compliance with (or improvement on) the sustainability requirements set out in the contract?

Decision point 2 (detailed design)

- Are sustainability processes being applied and monitored, including recycling?

Gate 4

- Does the facility meet or improve on sustainability targets?

Gate 5

- Have we met or exceeded our targets for sustainable use of the facility, including utility consumption?.

Table 4.1 Project Owner's Checklist

4.10 The important role that elected members and senior managers can play in ensuring that sustainability issues are addressed throughout the procurement cycle is flagged in the IDeA's *Members' Guide to Procurement* and *Managers' Guide to Procurement*.

Chapter 5

Identifying needs and appraising options

Purpose and scope

5.0 This chapter looks at how to consider and evaluate alternative means of satisfying the authority's needs for goods, works and services.

Identifying needs

5.1 The first stage of the procurement cycle is to **identify needs.**

5.2 In many ways, procurement professionals need to ask themselves, and their internal customers, the same questions that designers of products and services now routinely ask themselves.

'Quite often it turns out that there is more than one way of satisfying an identified need of a user group and more than just one product with which to achieve this, and that alternative options can be significantly different from the current solution. Before starting to make plans it is advisable to define what is termed the 'service unit' of the intended product or service. This means thinking in terms of solutions to problems (making tasty coffee), not to products (make a coffee machine).'
Charter and Tischner, 2001, pp 265-266

5.3 So, procurement staff can ask themselves what they should be concerned with. Some examples are given below:

- Purchasing a coffee machine or arranging the provision of a hot drinks service?
- Purchasing quantities of new carpet or the function delivered by floor covering? This approach has been resulted in some suppliers providing a service involving the leasing, not purchasing, of floor covering.
- Arranging a business travel contract or installing video-conferencing facilities at major company sites to cut down on business travel by air and car? This can reduce environmental impact as well as cost.
- Purchasing new fax machines or providing users with the ICT facilities to fax from their computers?
- Purchasing new printers for every desk or negotiating a contract for centralised printing facilities including the most up-to-date energy- and paper-saving features.
- Negotiating waste management contracts for packaging waste or working with suppliers to introduce returnable packaging for delivery of the products supplied.

Why do we need this product /service/project?

5.4 At this early stage, procurement professionals and internal customers working together can **re-examine the need** for procurement. They can ask themselves questions such as:

- Do we need this product, service or construction project?
- Can the need be met in another way?
- Can the requirement be met by renting or sharing, rather than procurement?
- Is the quantity requested essential?
- Does the product/service/project need to meet the specification currently used?
- Can the product serve a useful purpose after its initial use?
- Can more than one outcome be linked to this service, for example, tasks carried out plus training/skills achieved?

Caerphilly County Borough Council Caerphilly CBC rethought their approach to highways maintenance and as a result of recycling road materials have been able to reduce cost, reduce time and reduce adverse environmental impact.

Table 5.1 Caerphilly County Borough Council

Challenging the repeat purchase

5.5 Many procurement decisions are made on the basis of what has been purchased in the past. Effective sustainable procurement requires that 'repeat purchases' should be **challenged** and questioned. The more ambitious the environmental and social objectives to be achieved, the more this fundamental re-examination becomes a necessity. This approach is not radically new since good procurement practice requires that fundamental questions are routinely asked about the value being delivered.

5.6 Procurement staff can usefully apply the principles of the familiar **waste hierarchy,** namely: eliminate, reduce, reuse, recycle, and dispose (or 'end-of-life management'). This can be thought of as a 'procurement hierarchy' insofar as it helps procurement personnel to focus on the relevant options. In the case of questioning the need to be served, a useful starting point for this hierarchy is to **'re-think' the purchase.** See *Figure 5.1* below.

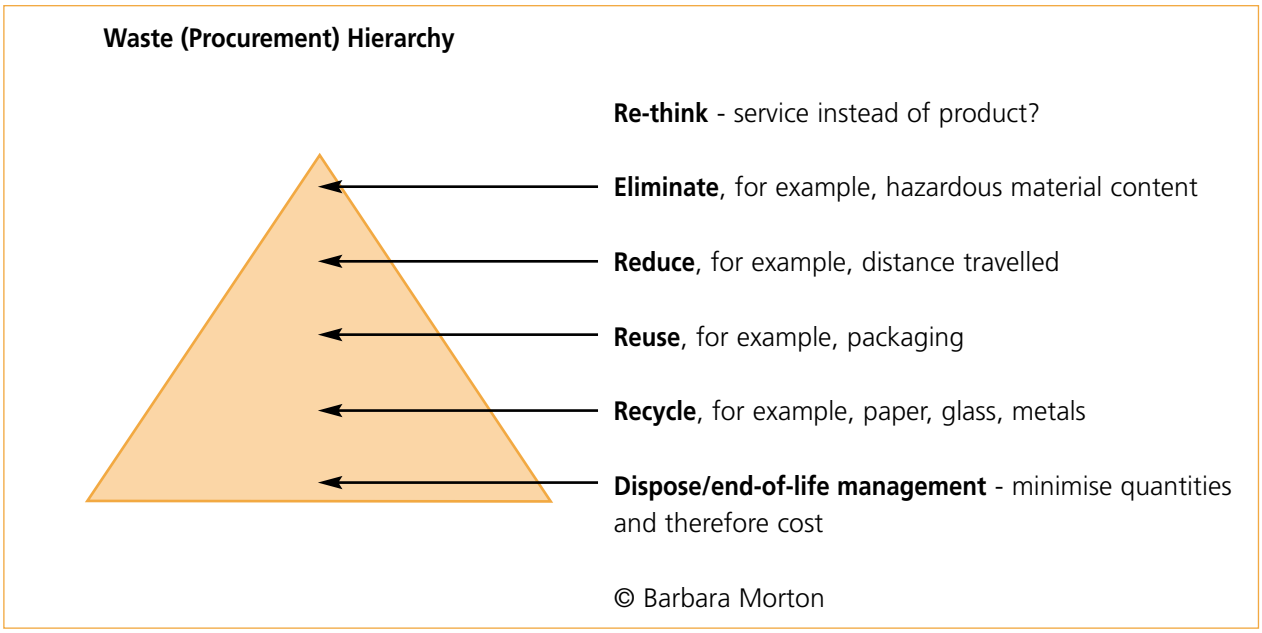

Figure 5.1. Waste procurement hierachy

5.7 Procurement staff and technical specifiers need to appreciate the environmental characteristics and social **impacts** of the products, works and services they buy (see **Chapter 2**). This knowledge can be built up from a number of sources including:

- environmental and social expertise within the authority
- information provided by suppliers and contractors
- external sources of environmental information such as trade associations and government bodies community and social groups, community health and poverty organisations, neighbourhood organisations, etc.

5.8 By increasing the understanding of the environmental impacts of products, works and services currently procured, procurement staff and specifiers will be in a better position to **assess the alternatives.** This in turn helps in the development of **new specifications.**

Developing a business case

5.9 The consideration of **green alternatives** should inform the development of a **business case** for each procurement.

5.10 Guidance on the development of a business case will be found in *Modern Procurement Practice in Local Government*.

5.11 That guidance advocates the promotion of a business case "culture". In other words, procurement should not commence without a sound business case. A properly constructed business case may indicate that procurement is not the best or most sustainable solution.

Chapter 6

Design and specification

Purpose and scope

6.0 This chapter provides guidance on how to manage out environmental and social impacts in designs and specifications.

Design and specification

6.1 Having considered the need to procure goods, services and projects and examined the options, procurors should look next at the opportunities to reduce impacts through design and specification.

6.2 A specification can be defined as 'a statement of needs to be satisfied by the procurement of external resources'. In other words, it defines what the purchaser wishes to buy and, consequently, what the supplier is expected to provide.

6.3 As discussed in *Modern Procurement Practice*, three types of specification are generally used -

- **Functional**: those which define the function or duty to be performed by the product or service.
- **Performance**: those which define the performance required of an item (sometimes called "output specifications" particularly in PPP projects).
- **Technical**: those which define the technical and physical characteristics of an item.

6.4 Placing an emphasis on functional and performance based specifications provides a major opportunity for the **supply market** to utilise its technical know-how and bring forward innovative, cost effective solutions, improve quality and minimise environmental impact.

6.5 The specification stage is key to all types of contract. By building in environmental and social considerations at this early stage, you are providing **a clear indication to suppliers** that sustainable development is important to the authority.

6.6 For construction projects a **green design** will be essential. If consultants are appointed the authority should ensure that its sustainability requirements are set out in the consultant's brief and that these are translated into the design brief. Some sustainable design principles are shown in *Table 6.1*.

6.7 In developing specifications for construction projects authorities may find it helpful to consult sources such as the Building Research Establishment's *Green Guide to Specification* (BRE, 2002) or to make use of BRE's BREEAM assessment system.

6.8 Information on sustainable construction procurement for local authorities can be found at: www.wellbuilt.org.uk. *See also Better Public Buildings* (OGC/DCMS). The Construction Industry Council has recently published "design quality indicators" that build in sustainability (www.dqi.org.uk).

Sustainable design principles

Design of buildings

- Small is better
- Design for easy maintenance
- Design an energy efficient building
- Design buildings to use renewable energy
- Optimise material use
- Design water efficient, low-maintenance landscaping
- Make it easy for occupants to recycle waste
- Recycle grey water if feasible
- Design for durability
- Design for future reuse and adaptability
- Design for recovery

Location and planning site

- In-fill and mixed-use development
- Minimise car dependence
- Value site resources
- Promote biodiversity
- Provide responsible on-site water management
- Situate buildings to benefit from existing vegetation

Materials

- Avoid ozone-depleting chemicals and those with a high global warming potential
- Use durable products and materials
- Choose low-maintenance building materials
- Choose building materials with low embodied energy
- Use building products made from recycled materials
- Use salvaged building materials when possible
- Use good wood
- Avoid materials that will give off gas pollutants
- Minimise packaging waste

Equipment

- Install high-efficiency heating and avoid air conditioning
- Install energy efficient lights and appliances
- Install water-efficient equipment

Site development

- Protect trees and topsoil during site work
- Avoid use of pesticides and other chemicals that may leach into the groundwater
- Minimise site waste
- Make education a daily practice
- Sustainable demolition practices

Source: ODPM/OGC (2002) *Green Public Private Partnerships*

Table 6.1 Sustainable design principles

Encouraging product and service innovation

6.9 One straightforward way of driving environmental improvement in the supply chain is to encourage suppliers to offer alternative products or services (known as **'variants'** under the EC rules) that have improved environmental performance but still meet your specifications.

6.10 This helps to demonstrate that you are prepared to look at alternatives and that the authority is serious about achieving better environmental performance in the goods and services that are procured. It also enables suppliers to bring forward solutions which the council may not have otherwise thought were feasible, for example, when contracting for conventional foodstuffs it may well be that, given the opportunity, suppliers could provide 'organic' alternatives.

6.11 Suppliers will be reluctant to invest time and effort in developing alternatives until they can be confident that there is likely to be a **market** for their products. Purchasing products with a higher proportion of recycled material, for example helps to 'close the loop' – so that materials sent for recycling are used in new products for which there is a market.

6.12 There are a number of programmes that aim to create markets for recycled material, such as the Waste Resources Action Programme (WRAP) (www.wrap.org.uk) and the REMADE (www.remade.org.uk) programmes that are being set up in various parts of the UK.

6.13 Authorities can therefore stimulate both new **product innovation** and the **re-use of materials** through their procurement activity.

Specification principles

6.14 Consider the following principles when drafting specifications -

- **Fitness for purpose and value for money**. Ensure that the procurement under consideration does the job that is required for all potential users, including groups with specialist needs where appropriate.

- **Resource, energy and water efficiency**. Running costs are often overlooked when procuring. Obtain full operational and maintenance guidance to ensure buildings are used effectively (for example, low energy and water efficiency equipment are kept fully operational) and they are kept in good repair. Seek equipment that is energy efficient, such as Energy Star rated products. Also check that your product does not have a 'knock-on' effect of using more resources, for example, specifying paper towels over hand-driers may increase the volume of paper you dispose of, which also has a cost.

- **Minimum use of virgin and non-renewable materials**. Wherever possible, the use of recycled or re-used materials should be encouraged, as these generally have a much lower impact on the environment. Examples include computer processor cases or road aggregate.

- **Maximum use of post-consumer materials**. There are many grades of recycled materials. Where possible seek materials that have been used once and are being reused to perform a repeat or new function, rather than materials that have been reused from a manufacturing process waste which has never been used by the consumer.

- **Non (or reduced) polluting with minimum use of toxic chemicals, CFCs, ozone and other pollutants**. Not only do these products help reduce your environmental impact, but choosing low-polluting alternatives often means you can avoid lengthy COSHH assessments and training, for example, cleaning staff or lab technicians.

- **Maximum durability, reparability, reusability, recyclability and upgradability**. Essentially this is a quality issue. Seek long-life products, that will survive being mistreated, that can be repaired, reused and ultimately, recycled. Importantly, seek products that enable you to upgrade them and improve performance over time rather than having to buy new equipment to do the same job.

- **Minimum packaging**. Many products involve the use of excessive amounts of packaging and the minimum amount to ensure safe handling should be encouraged. Excessive packaging also results in unnecessary disposal costs for the purchaser.

- **Design for disassembly**. When products are made up of thousands of different types of materials, particularly plastics and metals, it helps if they are designed to be easily taken apart or disassembled so that the materials can be recycled. This is particularly relevant to electronic and electrical products such as fridges, televisions, personal computers and printers.

- **Fault controls to prevent unnecessary waste**. When specifying plant equipment, such as boilers, ensure that you specify metering and monitoring equipment. Whilst it might increase acquisition costs it will alert you to inefficient use and enable you to reduce running costs, spills or waste problems.

- **Health and safety standards**. These should never be overlooked and it is sensible to evaluate many products with a qualified health and safety officer. Examples include electrical equipment, vehicles, cleaning chemicals and furniture.

- **Biodegradability**. Some products may be suitable for composting. Where that is the case, ensure that the materials can break down speedily and safely.

6.15 Specifying a particular environmental requirement may occasionally result in a procurement that costs more than a less environmentally preferable product or service, even after taking account of whole life costs. Against a background of a sustainable procurement policy, this extra cost can often be **justified on environmental grounds,** although care should be taken to ensure that a proper balance is struck between the cost and the perceived environmental benefits to the authority.

6.16 A justification of higher acquisition costs can be made through longer-term paybacks, or because your authority has made equally valid commitments to reducing waste to landfill or CO_2 emissions, for example. Buying equipment that will meet future environmental standards can have significant long-term financial benefits, even if the acquisition cost may have seemed prohibitively high.

6.17 *Table 6.2* shows examples of criteria to consider when making key purchases such as food, cleaning materials, furniture and paper.

Examples of criteria for key purchases

- Food: Favour organic, fresh, minimal packaging
- Cleaning materials: Favour biodegradable, non-toxic
- Decorating materials: Favour solvent and VOC free paints
- Energy: Favour renewable
- Equipment (, for example, computers): Favour energy efficient products, clean manufacturing processes
- Furniture: If wooden, favour forest stewardship council (FSC) certified
- Floor coverings: favour hard coverings (lino, cork, and wood), lease carpets, carpets made of natural fibres
- Paper: Favour recycled, chlorine free
- Vehicles: Favour three-way catalytic converters, fuel-efficiency

Table 6.2 Examples of criteria for key purchases

Standards

6.18 Under the EC rules it is necessary to specify requirements by reference European and other international standards (in preference to others, and this practice should be extended to include reference to environmental standards, where these exist.

6.19 Key organisations in the standardisation field include -

- The International Standardisation Organisation (ISO)
- The European Committee for Standardisation (CEN)
- The United States Environmental Protection Agency (US EPA)

6.20 Under the procurement regulations European standards, where they exist, should always be specified in preference to others. However, there are currently few standards in the environmental field. So, the hierarchy of standards set out in the procurement rules should be observed.

6.21 Further details of the organisations and their activities are shown in **Annex 6.1**.

Product labelling, including eco-labelling

6.22 Labels are often used by suppliers to show buyers that their products have been certified as meeting a particular set of environmental standards. Such symbols can become widely recognised as 'seals of approval' for products and suppliers.

6.23 Whilst **eco-labels** are a useful tool, make sure you know what they mean and – more importantly – what they don't. Manufacturers own labels can be misleading. DEFRA's *Green Claims Code* is very useful to those involved in specification and procurement.

6.24 Note also that many products meet, or even exceed, the standards set by established eco-labels, even though they do not carry the label. Achieving eco-label standards can be costly and most schemes are still voluntary.

6.25 There are many examples of eco-labels currently in use. Rather than try to produce a comprehensive list within this guidance below are listed the weblinks to a number of regularly updated databases.

- DEFRA's Consumer Products and the Environment: www.defra.gov.uk/environment/consumerprod
- Environmental Labels Exchange: www.brookes.ac.uk/eie/ecolabels.htm

6.26 Some useful web sites on environmental and sustainable procurement in general are also listed at the end of this guidance. ICLEI's *Green Purchasing Good Practice Guide* (ICLEI, 2001a) contains further listings. See www.iclei.org. The Danish EPA website also contains useful product information. See www.mst.dk.

6.27 Under the procurement regulations authorities can use **eco-label criteria** to help determine environmental specifications. Authorities can also accept an eco-label certificate as proof of compliance with those criteria, although other means of proof must also be accepted. It is not permitted to stipulate that products **must** have an **eco-label certificate.**

6.28 The ICLEI guide (ICLEI 2001a) recommends that purchasers always add the words **'or similar requirements'** and attach the criteria of the relevant eco-label in the invitation to tender.

6.29 See CIPS/IEMA/NHS PASA (2002) guidance document (pages 28 to 41) for further information on specification and product labelling.

Primary materials and production processes

6.30 Where the EC rules apply great caution needs to be exercised about specifying types of products or production processes and there are specific rules to be observed.

6.31 However, it is possible to specify **primary materials** if those materials contribute to the characteristics of the product or service. Examples would include specifying the use of recycled glass or other recycled materials or specifying the use of wood from sustainably managed forests for window frames.

6.32 Similarly, a particular **production process** can be specified (for example, "organically-grown food" or "green energy") provided that the environmental characteristics of the product are attributable to an environmentally sound production process.

6.33 Nonetheless, it is likely to be considered discriminatory to specify that electricity must be generated by, for example, wind energy because water or solar energy is also green. So the specification should define green energy as energy that is produced using renewable sources.

Special contract conditions

6.34 It is permissible under the procurement regulations (EC rules) to write **special conditions** into contracts relating to environmental and social considerations provided that these relate to the **performance of the contract** after it has been awarded. They must not be disguised technical specifications, supplier selection criteria or contract award criteria.

6.35 Under the procurement regulations contract conditions must comply with EC law and in particular must not discriminate directly or indirectly against non-UK suppliers. This includes giving advance notice of the special condition in the contract notice placed in the Official Journal of the European Union (OJEU). (See *Modern Procurement Practice in Local Government* for general advice on the procurement regulations).

6.36 A contract condition requiring a contractor to operate an Environmental Management System might be regarded as a special condition in this sense.

6.37 If you are considering including such a special condition in a contract for the supply of goods you should exercise caution because the condition could require a supplier based in another country to reorganise its operations and so could be considered discriminatory. There is less of an issue with contracts for services and construction because the contract will be performed in this country.

Whole life costs

6.38 The principle behind **whole-life costing** is simply that financial costs accrue to each part of an asset or service's lifecycle.

6.39 By undertaking a whole-life costing exercise that incorporates the criteria set out in this guidance it is possible to minimise the social and environmental impacts your products will have throughout their lifetime and to understand better the true financial implications of your procurement decision. At the heart of this approach is the realisation that many products can have **hidden costs** for the purchaser.

6.40 Acquisition costs tend to be the first cost to the procuror, but this is then supplemented by other costs, including operational, maintenance, disposal and retirement costs.

6.41 Procurors need to take a range of factors into account when deciding on which products to purchase – with environmental impact being just one of them. Cost is normally top of the list but good procurement practice requires that all of the costs associated with the procurement should be taken into account – not just the **initial price.**

6.42 Examples of the application of whole life costing can be found in the CIPS document *How to buy energy efficient goods* and services (CIPS, 1999).

6.43 The CIPS definition of whole life costing is given below.

> "In whole life costing, all costs over the life of goods and services are taken into account. This enables savings in running costs to offset any increase in capital costs. The savings are calculated for each year of the equipment or service contract life. It shows either a simple payback time or the payback during the life of the equipment or service contract. It can be applied to most situations to justify extra expenditure."
> Source: CIPS, 1999

6.44 *Modern Procurement Practice in Local Government* provides guidance on this subject. It makes reference to the need to think about whole life costs early on in the procurement process, and certainly before the invitation to tender stage. This allows all those involved in a procurement decision an opportunity to consider what costs, apart from the initial purchase price, are associated with the

proposed acquisition. For example:

- will there be running costs?
- does the product require special storage or handling facilities to avoid pollution?
- will the item require material inputs, such as coolants, that might need such facilities?
- what waste management costs might be incurred from using and disposing of the item?

6.45 The technique of whole life costing is familiar to many procurors. There is a requirement on UK Government departments and agencies to award their contracts on the basis of whole life costs and quality.

6.46 Basing itself on ODPM Circular 03/2003 and the *National Procurement Strategy*, the IDeA's main guidance defines "best value for money" (as a criterion for awarding contracts) as the "optimum combination of whole life costs and benefits to meet the customer's requirement".

6.47 The following extract from DEFRA guidance indicates the types of costs to be taken into account:

6.48 Whole life costing provides the means of determining if it is cost effective to invest in a more expensive product initially to reduce costs in the long run. The important elements for procurors are included in *Table 6.3.*

Whole Life Costs

Direct running costs - resources used over the life-time of the product or service
Indirect costs - loading on cooling plant arising from energy inefficient equipment
Administration costs - COSHH overheads from buying hazardous products requiring additional controls and special handling and disposal
Spending to save - investing in higher levels of insulation to save heating and reduce bills
Recyclability - creating markets for our own waste by buying recycled products
Cost of disposal - paying a premium at the outset to reduce waste, i.e. by choosing a product which is more durable, re-usable, recyclable, includes disposal costs or is free of hazardous materials requiring its disposal in a special way."

Source: www.sustainable-development.gov.uk

Table 6.3. Whole Life Costs

6.49 Authorities should also consider future legislation, such as the Climate Change Levy and Landfill Tax. By anticipating future legislation use and disposal costs can be minimised at the specification stage.

6.50 While the acquisition costs of a product may be significant, they are not the only costs that should be considered. *Table 6.4* provides an example of a whole-life costing exercise for three types of battery, all of which can perform the same function. The lowest purchase price does not represent best value for money over the lifetime of the product.

Whole-life costing comparison of batteries

	A	B	C
Costs per pack of 4	£3.00	£1.50	£6.00
Battery Life (average)	15 hours	6hours	7 hours
No. Packs req'd	67	167	1
Total Cost	£167.50	£250.50	£6.00
Price of Recharging Unit	-	-	£10.00
Energy to Recharge	-	-	£1.43
Staff Time to Collect batteries and Recharge	-	-	c.23 Hours (139 charges - 5 mins to collect and 5 mins to replace)
Disposal	268 batteries to dispose of	668 batteries to dispose of	4 batteries to dispose of (can be recycled)
Total Cost	**£167.50** + disposal costs	**£250.50** + disposal costs	**£17.43** + staff time and disposal costs

Source: adapted from Worldwide Fund for Nature (WWF)/NatWest, The Better Business Pack, http://www.epsilon-ltd.co.uk/eco-i/bbp.htm.

Table 6.4 Whole life costing comparison of batteries

6.51 See also *Environmental Purchasing in Practice* (CIPS/IEMA/NHS PASA, 2002) pages 36 to 38.

6.52 OGC guidance on lifecycle costing (CUP 35) is available on the Successful Delivery Toolkit (www.ogc.gov.uk/sdtoolkit). In the construction field, OGC's *Achieving Excellence Procurement Guide No 7 Whole-life costing and cost management* (Office of Government Commerce 2003) shows how whole life costs can be taken into account throughout the **procurement cycle.**

Sustainable food

6.53 Sustainable food procurement is high on the Government's agenda and a sustainable food initiative is underway. It is designed to help the public sector promote procurement of food that supports delivery of the Government's Sustainable Farming and Food Strategy for England. As part of that initiative DEFRA published guidance and an action sheet (**Annex 6.2**) for buyers (www.defra.gov.uk/farm/sustain/procurement/index.htm) which is commended for adoption by local authorities.

6.54 Local authorities are responsible for sourcing a significant amount of food. That responsibility has brought with it increased interest in sourcing both fresh produce and organic foods as local authorities seek to promote healthy eating through their procurement policies. As with all procurements, procurors are free to specify **'quality'** (for example, freshness, seasonal, higher quality ingredients, organic, minimum packaging, quick delivery response times) in a manner which best fits their unique best value for money priorities, providing the EC Treaty provisions and public procurement directives are satisfied. However, it is not permissible to subsequently take into consideration at the evaluation stage 'food miles' (i.e. the distance the food and its constituent ingredients have travelled from source to consumer. *Table 6.5* highlights how South Gloucestershire Council have approached sustainability in food procurement:

South Gloucestershire Council

South Gloucestershire Council Catering and Contract Services supplies all of the Councils 120 schools with a catering service. A great deal of time has been spent developing contacts with local producers including farm visits. As a result locally grown potatoes, vegetables and organic apples are used in the menus together with local meat, burgers and sausages and eggs. The Council employs an experienced purchasing professional and her skills in procurement and contract management have contributed greatly to the success of her contractual relationships with her suppliers. School lunches have proved their popularity by doubling in turnover. In the last few months a breakfast service has been introduced in 20 primary schools. The provision of local food has extended to include a basket service allowing school staff to purchase local food for private consumption. The school tuck shop offers chopped fruit pieces using 2nd grade produce which is either too small or too large for supermarkets.

Table 6.5 South Gloucestershire Council

Annex 6.1: Environmental Standards

ISO Standards
The following International Organisation for Standardisation (ISO) standards are available from the ISO website at www.iso.ch.

ISO 14020:2000	Environmental labels and declarations - General principles
ISO 14021:1999	Environmental labels and declarations - Self-declared environmental claims (Type II environmental labelling)
ISO 14024:1999	Environmental labels and declarations - Type I environmental labelling - Principles and procedures
ISO/TR 14025:2000	Environmental labels and declarations - Type III environmental declarations

European Union Standards
The European Union guidance for both producers and consumers shows how individuals and their procurement choices can make a real difference to the environment. It explains why it is better to chose products, which have been awarded the European eco-label (represented by the flower symbol), not only for environmental reasons but also to have an affordable high-quality product.

The guidance also gives a broad overview explaining the eco-label flower should be seen on products bought and sold. For more information see www.europa.eu.int

The United States Environmental Protection Agency
In the United States, the Environmental Protection Agency (EPA) has made considerable inroads into setting accepted definitions, specifications and guidance on a whole range of products, including paper, cleaning materials, photocopiers and vehicles. Through its Environmentally Preferable Purchasing Program – administered at a federal-wide level – the EPA encourages and assists agencies in the procurement of products and services

Environmentally preferable is defined as: '…products or services that have a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose'.

Guidance produced explain definitions, such as 'post consumer fibre' and provide detailed life cycle analyses and whole life impact studies that demonstrate the environmentally preferable alternatives. They also offer case studies where public and private sector organisations have implemented the recommendations and guidance offered by the EPA.

More information at: www.epa.gov and at www.greenseal.org

Annex 6.2

DEFRA Action Sheet for integrating sustainable development into public procurement of food and catering

Integrating sustainable development considerations

Work in partnership with catering contractors and other suppliers to integrate the following sustainable development considerations into your food and catering procurement.

(a) Assurance

Assurance schemes

Where appropriate, specify:

- Food standards that mirror standards laid down in assurance schemes that:
- Encompass food safety, environmental and animal welfare issues
- Provide for regular independent third party inspection
- Are accredited to EN 45011; and
- That the RED TRACTOR logo (www.littleredtractor.org.uk) is acceptable evidence of compliance with specified standards; or
- That alternative evidence is acceptable provided it is credible.

Organic food

Where appropriate, increase the provision of organic meals and snacks (that meet the criteria of EC REGULATION 2092/91) in accordance with the Government's "Action plan to develop organic food and farming in England", by:

- Requiring them as an option in staff catering units, and
- Actively encouraging their availability in general catering programmes.

(b) Removing obstacles to tendering by local and UK producers

Remove unnecessary restriction that prevent local businesses from competing to supply food – while avoiding giving them preferential treatment that would be in contravention of the procurement rules – by, for example:

- Encouraging small local producers/suppliers to collaborate on organising collective responses to demand. Many small producers have the capacity to supply competitively but miss out on large government supply contracts because they are not generally organised to work collectively;
- Making sure that potential suppliers know how to identify and compete for public sector contracts by widely publicising the sort of information available on the OGC's "Supplying Government" website
- Specifying fresh produce, seasonal produce that can be grown in the UK and less exotic fruit and vegetables that local growers are unable to produce, where such requirement meet users' needs;
- Where purchasing is decentralised (for example health trusts and education authorities and schools) structuring contracts in relatively small sizes where consistent with value for money, reducing barriers to local agriculture and horticulture to show how they can better meet requirements. For example, by:
- Facilitating the inclusion by large contracts holders of smaller growers and producers as second and third tier suppliers,
- Promoting the use of lots during the tendering process, where this is consistent with value for money,

to allow small and medium enterprises to bid for certain parts of supply contracts and
- Tendering more frequently for smaller quantities and establishing more flexible specifications (for example for more limited ranges of produce per contract) where this takes account of EC aggregation rules and is consistent with value for money and public expenditure requirements.

(c) Fair treatment of suppliers

Encouraging catering contractors (post contract award) to treat their suppliers in a fair and ethical manner (for example in relation to bill payments, etc.0

(d) Fair trade food

Where appropriate (for example, in Government staff restaurants and more generally):

Provide FAIR TRADE and food produced under ethical assurance schemes as options – reflecting such needs in non-discriminatory specifications, in line with user requirements and working on a voluntary basis with suppliers once contracts have been awarded.

(e) Healthier eating

Promote healthy diets, for example, by specifying that catering contractors provide healthy eating in catering and possibly by subsidising foods that are low in salt, fat or sugar.

(f) Food hygiene

Promote food hygiene – especially where food is prepared on the premises – to contribute to Food Standards Agency's aim of reducing the incidence of food-borne disease by 20% over the period 2001 to 2006.

(g) Ethnic, cultural and religious diets

Ensure that demand from ethnic minority customers, whether for cultural or religious reasons, is reflected in the planning and promotion of menus and selection of dishes.

(h) Waste

Minimise the waste associated with food, both in terms of meals not consumed and waste more generally, for example, by:
- Avoiding the use of disposable cutlery and plates
- Serving milk, condiments and sauces in re-usable containers rather than disposable individual containers/sachets where this does not compromise food safety
- Using serviettes made from unbleached recycled material
- Recycling glass, cans, paper, plastics and vegetable oil
- Minimising packaging
- Specifying energy-efficient appliance rated B or better under the EC's energy labelling scheme, which are HCFC and HFC free if they use refrigerants.

When legislation is in place (expected Spring 2003), compost food waste using technologies in approved premises that prevent the spread of disease.

(i) Deliveries
Seek to reduce the frequency of individual journeys needed to make deliveries to the Department's premises and requiring suppliers, when working on the contract, to switch off the engines of their vehicles when stationary on the Department's premises for longer than two minutes so as to keep fuel usage and emissions to the minimum.

(j) Other environmental considerations
Comply with other environmental aspects of the Government's policy which, in addition to minimising waste and reducing deliveries, are designed to conserve energy, water and other resources, promote biodiversity, phase out the use of ozone depleting substances and minimise the release of greenhouse gases, volatile organic compounds (VOCs) and other substances damaging to health and the environment.

(k) Safety, welfare and training
Provide a safe working environment for catering staff with appropriate welfare and training arrangements.

(l) Other initiatives
Support product best practice standards that are being developed in the retail industry and elsewhere, for example, for sustainable PALM OIL PRODUCTION that forms a major ingredient in a wide variety of food and detergent products.

Chapter 7

Selecting Suppliers

Purpose and scope

7.0 This chapter looks at how and when local authorities can use environmental and social considerations in the selection of suppliers.

Selecting suppliers

7.1 Local authorities select suppliers against pre-established **criteria.** Only those suppliers that meet the minimum criteria are eligible to be awarded a contract:

7.2 In procurement procedures governed by the procurement regulations (EC rules) (see **Annex 7.1**) selection can take place at an initial short-listing stage ('restricted procedure') or prior to the award of a contract ('open procedure'). But selection is always a separate stage from tender evaluation. It is about the financial and technical capacity and capability of the **supplier** not about the tenders received.

7.3 The procurement regulations contain an exhaustive list of evidence that can be sought to establish suppliers' eligibility, financial and technical capacity. The evidence used to satisfy the authority of the supplier's credentials must be stated when the **contract notice** (OJEU notice) is published.

7.4 It is important to note that under the procurement regulations an **environmental management system** (for example, ISO 14001 or EMAS) can be considered as evidence of a supplier's technical capacity provided it is relevant to the subject-matter of the contract. Any authority intending to take an EMS into account at the supplier selection stage must mention this in the OJEU notice.

7.5 If the **risk matrix** (see **Chapter 2**) has been utilised the upper two quadrants provide a starting point for identifying those contracts where the contracting authority may wish to seek evidence of an environmental management system. Having identified the higher-risk contracts, the council then need too ask 'Is the suppliers environmental performance directly relevant to the subject matter of the contract?', if the answer to that question is 'no' the advice is that the suppliers EMS should not be considered.

7.6 Where relevant to the subject-matter of the contract, enquiries can be made about a supplier's **track record** on environmental matters to establish technical capacity and both **criminal offences** (environmental law) and **grave professional misconduct** (undefined) can be taken into consideration.

7.7 The so-called **'general principles of EC law'** apply even to contracts outside the scope of the procurement regulations (i.e. sub-threshold and excluded contracts). These principles concern non-discrimination, equal treatment, transparency, proportionality etc. For good practice and for consistency, it makes sense to handle supplier selection in broadly the same way as described above.

Using questionnaires

Pre-qualification questionnaires (PQQs)are often used to gather information on a supplier's financial and technical capacity, and these can be adapted to seek information in relation to environmental qualifications (EMS etc) in the circumstances described above. See *Modern Procurement Practice.*

7.9 Once a contract has been awarded questionnaires serve a different purpose. In this case the purpose is either contract management and monitoring or supplier development (see **Chapter 9**).

Belfast City Council Environmental Supplier Questionnaire

1. Does your organisation have a named officer responsible for Environmental Management? Yes/No
   If 'yes', please state the name, position and qualifications of the person:
   .....
   .....
2. Does your organisation have an Environmental Policy? Yes/No
   If 'yes', please enclose a copy
3. Does your organisation have in place an Environmental management System? Yes/No
   If 'yes', do you have any objections to this being inspected? Yes/No
4. Does your organisation hold either of the following accreditations?
   EMAS Yes/NO
   ISO 14001 Yes/No
5. Has your organisation compiled a register of environmental regulations and legislation relating to your business operations?
   If 'yes', do you have any objections to this being inspected? Yes/No
6. Has your organisation complied an environmental effects register? Yes/No
   If 'yes', do you have any objections to this being inspected? Yes/No
7. Do you have an environmental action plan in place to reduce your adverse impact on the environment? Yes/No
   If 'yes', do you have any objections to this being inspected? Yes/No
8. Outline on a separate sheet the specific environmental impacts associated with providing the product/service being procured and what steps are being taken to minimise them.

Table 7.1 Belfast City Council Environmental Supplier Questionnaire

Annex 7.1: EC Interpretative Communication on public procurement and the environment – frequently asked questions (Source: EC Commission)

Q: According to the interpretative communication, is it possible to adequately take into account environmental considerations under the public procurement Directives?
A: The Communication makes it clear that there are numerous possibilities for the 'greening' of public procurement under the directives. This is particularly so if three guiding principles are followed – non-discrimination, transparency, and thought about where in the tender process environmental elements should be taken into account. Generally speaking, the earlier in the tender process (definition of the subject of the contract, technical specifications) you place environmental considerations, the more is possible.

Q: Is it possible to ask for process and production methods under the Directives?
A: In the technical specifications of the tender, process and production methods can be requested where these help to specify the performance characteristics of the performance or service. This includes both process and production methods that physically affect the end product (, for example, absence of chemicals) and those that do not but nevertheless affect the nature of the end product – for example organic food, or furniture produced from sustainable timber. It is not possible to require that the factory producing the goods use recycled paper in its office, as this does not relate to the production of the goods.

Q: Can I ask for specific materials – for example, that windows be made of wood – in the technical specifications?
A: It is possible both to ask for specific materials to be used in an object supplied or in a works contract, and also to ask for a type of material to not be used. So you could ask for your windows to be made of wood, or not to be made of a specific product, for example.

Q: How can I use Eco-labels in my procurement?
A: You can use Eco-label criteria to help determine your environmental technical specifications. You can also accept an Eco-label certificate as proof of compliance with those criteria, although you must accept other means of proof – you cannot say that you only accept products with an Eco-label certificate.

Q: How can I use company environmental management systems in my procurement?
A: The references a contracting authority may require as proof of a company's technical capacity are listed exhaustively in the public procurement Directives. Environmental management systems can play a role in so far as these fall within one of the categories or references listed in the Directives.

Thus, environmental management systems can be accepted as proof of technical competence where the specific scheme applied has an impact on the capacity of the company to execute a contract with environmental requirements. Other means of proof of technical capacity must also be accepted. It is also possible to require the putting into place of specific environmental management systems for works contracts where there are significant environmental issues to deal with, for example.

Q: What happens where I want to ask for better performance than a European standard in the environmental field?
A: The purchaser is obliged to refer to the European standard, but may request better environmental performance than the standard in the technical specifications.

Q: What kind of environmental criteria can I use at the award stage?
A: Only those criteria that have a link to the subject matter of the contract and give the contracting authority a direct economic benefit. This could include giving a bonus to products that are more energy efficient, that will last longer, or that will cost less to dispose of. In case the environmental aspects do not bring an economic benefit to the contracting authority, these aspects can only be taken into account at the beginning of the tender procedure, where the contracting authority defines the technical requirements of the contract.

Q: How can contracting authorities balance their budgetary constraints and the intention to "buy green"?
A: Although green products will often save the public purchaser money in the longer term, they may have a higher up front cost. If contracting authorities want to make a balance between environmental choices and budgetary restraints, they may define one or more variant options in addition to their "basic" option. In the variants they can define a higher environmental performance. At the end of the tender procedure, contracting authorities can decide which variant best meets their needs.

Q: Can I request that products or services be supplied using specific methods of transport?
A: Yes – in the contract clauses for the execution of the contract, the means of delivery of the goods can be specified, as long as this does not lead to discrimination. Other possible ways of reducing the environmental impact of transport activities linked to the provision of goods or services, could include requesting that deliveries of goods be made in bulk, or that cleaning products are transported in concentrated form, and diluted at the place of use.

Q: The interpretative Communication mentions a handbook. What will this consist of?
A: This will give practical advice to public purchasers on how to take into account the environment in their purchasing policies. It will be user-friendly – focussing on the simplest way to do things, and giving examples of best practice in green public procurement from the whole of the EU.

Because the availability of scientific and technical information is essential for making well-balanced decisions we will create a website with further information on best practice in greening public procurement, and links to other websites where such information is available.

Date: 5 July 2001
For further details: MARKT-B3@cec.eu.int
(http://www.europa.eu.int/comm/internal_market/en/publproc/general/environmentfaq.htm)

Annex 7.2: EC Interpretative Communication on integrating social considerations into public procurement – frequently asked questions (Source: EC Commission)

Q: Is it possible to adequately take into account social considerations under the public procurement Directives?
A: Yes. The Communication makes clear that there are numerous possibilities for taking account of social considerations in public procurement under the Directives, provided that the principles of non-discrimination and transparency are respected. Guidance is given about where in the tender process social considerations should be taken into account.

Q: When is it most appropriate to take social considerations into account in the procurement procedure?
A: It is especially during the execution of the contract, that is, once the contract has been awarded, that public procurement can be used by contracting authorities as a means of encouraging the pursuit of social objectives. Contracting authorities can require the successful tenderer to comply with contractual clauses relating to the manner in which the contract is to be performed, which may include clauses in favour of certain categories of persons and positive actions in the field of employment.

Q: Can a contracting authority take account of the needs of the disabled in its purchasing policy?
A: Yes. In deciding what you want to purchase, contracting authorities can specify their requirements regarding access for the disabled to certain buildings or public transport (for example, accessibility standards on the width of corridors and doors, adapted toilets, access ramps), or access to certain products or services (for example, in the field of information technology for the visually impaired). In addition, contracting authorities can impose an obligation on a successful tenderer to recruit, for the execution of the contract, a number of disabled persons over and above the minimum number laid down by national legislation.

Q: Can a contracting authority use its procurement policy as a tool to combat unemployment?
A: Yes. Contracting authorities can require successful tenderers to recruit unemployed persons, and in particular long-term unemployed persons, or to set up training programmes for the unemployed or for young people during the performance of the contract.

Q: Can a contracting authority promote equal opportunities through its purchasing policy?
A: Yes. Contracting authorities can require successful tenderers to implement, during the execution of the contract, measures that are designed to promote equality between men and women or ethnic or racial diversity.

Q: How can a tenderer be sure that its competitors will not benefit from submitting tenders that do not comply with applicable employment and safety rules?
A: Tenderers who have not complied with social legislation can be excluded from public procurement procedures, where this is deemed to constitute grave professional misconduct or an offence having a bearing on their professional conduct. In addition, elements relating to non-compliance with rules on safety or employment can, under the current public procurement Directives, be taken into consideration to reject an abnormally low tender.

Q: Can a contracting authority take social considerations into account when awarding a contract?
A: Yes. Criteria involving social considerations may be used to determine the most economically advantageous tender where they provide an economic advantage for the contracting authority which is linked to the product or service which is the subject-matter of the contract. For example, a criterion that makes it possible to evaluate the quality of a service intended for a given category of disadvantaged persons may be used. In addition, it may also be possible to use a condition related to the combating of unemployment as an additional criterion in respect of two or more economically equivalent tenders, provided it complies with the fundamental principles of Community law

Q: What rules on employment and protection of working conditions are applicable to workers posted to work on a public procurement contract in another Member State?
A: The Communication explains the relevance to public procurement of Directive 96/71/EC on the posting of workers in connection with the cross-border provision of services. This Directive lays down a common list of rules for minimum protection of workers which employers must observe in respect of workers they post to other Member states. It also guarantees a level playing field for all tenderers in the field of public procurement, and legal clarity as to the elements to be taken into account when preparing tenders.

Q: Can a contracting authority require that a successful tenderer take on the employees of the previous contractor?
A: Yes. The fact that the transfer of an undertaking, within the meaning of Directive 2001/23/EC on the safeguarding of employees' rights in the event of a transfer of undertaking, takes place following a public procurement procedure does not pose any specific problems as regards application of this Directive. However, contracting authorities have an obligation to inform tenderers in advance of all conditions relating to the performance of a contract, including whether and on what conditions such a transfer of undertaking might take place if the tenderer is awarded the contract, so that tenderers can take them into account when preparing their tenders.

Date: 15 October 2001
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http://www.europa.eu.int/comm./internal_market/en/publproc/general/01-324.htm

Chapter 8

Evaluating tenders

Purpose and scope

8.0 This chapter looks at how environmental and social considerations can be taken into account during tender evaluation and contract award.

Using environmental and social criteria in tender evaluation

8.1 Contract award **criteria** must be determined at an early stage and communicated to potential suppliers. In a procurement procedure governed by the procurement regulations the criteria must be listed in the OJEU notice or tender documents.

8.2 Contract award criteria should be set by internal customers and procurement staff working together.

8.3 Under the EC rules, authorities can chose to award contracts on the basis of the 'economically most advantageous offer' (i.e. best value for money) and this should be the **normal choice** as it permits consideration of **whole life costs** (the alternative is 'lowest price').

8.4 The procurement rules list examples of the criteria that can be applied (price, delivery, technical merit, running costs, cost-effectiveness etc). In other words it is possible to take whole life costs and benefits into account as recommended in the ODPM Circular 03/2003 on Best Value and Performance Improvement and the *National Procurement Strategy for Local Government*.

8.5 In this context environmental and social contract award criteria can also be applied provided that they are **objective, non-discriminatory,** relate directly to the **subject-matter** of the contract and help establish which tender is the economically most advantageous **to the local authority.**

8.6 In the tender evaluation process the authority considers whether the **tenders** received meet the contract award criteria. This should never be confused with supplier selection, which is about the capabilities of suppliers.

8.7 Authorities normally use a tender evaluation model that scores tenders against the contract award criteria (qualitative factors) with a separate ranking of prices. Criteria may be weighted. Environmental and social criteria can be built into such models as described above. See *Modern Procurement Practice.*

8.8 Generally, it will only be appropriate to consider environmental and social issues at the contract award stage if it has not been possible to **manage them out** at design/specification stage or to define requirements sufficiently well in the specifications or contract conditions, or alternatively, where **innovation** is sought through the competitive process (see **Chapter 6**).

Examples of environmental contract award criteria

- Energy consumption
- Water usage
- Quantity of waste produced by weight
- CO2 / greenhouse gas emissions
- Other emissions (ozone, radiation, SOx, NOx, etc)
- Use of recycled material
- Percentage of waste recycled

Table 8.1 Examples of environmental contract award criteria

Chapter 9

Contract management and supplier development

Purpose and scope

9.0 This chapter covers the management of contracts and how to work with suppliers to improve their competitiveness, environmental and social performance.

Contract management and review with sustainability in mind

9.1 Local authorities seeking to drive improvements in their supply chains need to ensure that environmental and social considerations are integrated into the **contract management and review process.** This involves setting targets for environmental and social performance improvements by suppliers and contractors over the course of the contract.

9.2 This encourages suppliers to bring forward **innovative solutions** to environmental and social problems. Over time it will also assist technical specifiers and procurement professionals in the identification and understanding of the key environmental and social impacts and risks associated with products and services. This information should continue to be fed back to shape future procurement decisions.

9.3 *Modern Procurement Practice in Local Government* provides general guidance on contract management., including the management of risks associated with the performance of the contract and the management of the relationship between client and supplier.

9.4 Both of these aspects are important to achieving sustainable procurement in local government.

9.5 Knowing that local government, as a major customer, will continue to treat environmental and social improvement as a serious issue gives suppliers **confidence to invest** in process improvements, research and development.

Performance management

9.6 Contract management and review, linked to the achievement of targets puts sustainability firmly on the commercial agenda and has the effect of **"ratcheting-up"** environmental and social performance improvement along supply chains.

9.7 Local authorities now include **Key Performance Indicators** and associated targets in contracts to measure the performance of suppliers. These may be linked to Best Value Performance Indicators (BVPIs) National assembly for Wales PIs (NAWPIs) and Local Performance Indicators (LPIs).

9.8 Contract management using KPIs of this kind for suppliers helps to maintain focus on targets for improvement including improvements in environmental performance.

9.9 Targets for environmental improvement in the supply chain can cover the whole spectrum of environmental impacts from raw materials sourcing through production, transportation and use, to options for end-of-life management.

9.10 As well as targets for improvement in the environmental impacts of production processes, for example, suppliers can also be encouraged to take account of social impacts such as health and safety, employee training etc. However, great care must be taken not to discriminate against non-UK suppliers.

Keeping environmental and social issues on the supplier's agenda

9.11 A number of factors determine the extent to which local authorities can use the procurement process to drive improvements in the supply chain. These include:

- influence on the market (the size of the contract in relation to the market as a whole)
- the degree of competition in the market

9.12 Many companies with major influence over their suppliers, such as in the automotive sector, set target dates for their suppliers to achieve Environmental Management System (EMS) certification. The commercial threat of losing significant business drives suppliers to meet these environmental standards.

9.13 As earlier chapters of this guidance have highlighted, local authority procurors need to exercise caution when seeking evidence of environmental performance and particularly in relation to environmental management systems. Also, the introduction of environmental management systems can be a daunting prospect for some companies, particularly small and medium-sized enterprises. Local authority purchasers need to recognise suppliers' **ability to demonstrate environmental performance,** whether or not they have a certified EMS.

9.14 For many commodities (and in many supply markets) local authorities have relatively little influence on the market. This does not mean that procurors cannot exert influence over the supply chain, however. Since other companies and organisations will be making the same requirements of suppliers, at the same time, suppliers will feel the effects of a much larger demand for environmental and social performance improvement.

9.15 Under these circumstances, the best way of achieving progress is to focus on the need for continuous improvement in supply chains and to be prepared to work with suppliers.

Achieving improvement by working with suppliers

9.16 You can require performance improvements of your suppliers, but you can also involve suppliers in reducing environmental and social impacts by **joint working.** The improvements made by suppliers themselves frequently include changes to processes and production methods that have the effect of reducing emissions and waste.

9.17 Depending upon the performance of suppliers at the beginning of a long-term contract or commercial relationship with a customer, these measures can help suppliers move from non-compliance (in extreme cases) through compliance to become leading-edge performers.

9.18 Joint improvement targets typically involve:

- reducing packaging weights and volumes;
- introducing reusable and returnable packaging;
- reducing the hazardous material content of products;
- examining purchasing order quantities and delivery frequency; and
- improving delivery scheduling to reduce impacts from transportation.

Thurrock Council
Thurrock Council engages with contractors to share the benefits of ISO14001. The Council have also worked with suppliers to reduce the size of packaging, for example, changing from 5lt containers to 1lt directable flow, this has resulted in a safer and more efficient use of material and less waste. In addition the Council repair plumbing items as opposed to replacing, in turn this has led to cost savings in terms of time and materials.

Table 9.1 Thurrock Council

Continuous improvement in the supply chain

9.19 Sustainable procurement has to be seen as part of a process of continuous improvement, involving the local authority and (potentially) the whole of its supply network. Local government can act as a 'good customer' by continuing to focus on improved performance by suppliers, as part of routine procurement practice.

9.20 For several years, Belfast City Council has actively encouraged its suppliers to become more competitive by improving their environmental performance (see *Table 9.2*). The London Borough of Sutton has also been proactive in selecting 25 suppliers each year and working with them to improvement their environmental management systems.

9.21 The authority could consider introducing supplier awards to recognise the progress of suppliers in aspects of social and environmental performance – as in a "Green Supplier of the Year Award". This can help to stimulate action – although you should beware of the dangers of 'initiative fatigue' amongst suppliers.

Belfast City Council – Supply Chain Challenge and supplier awards
In May 1997, Belfast City Council laid down its 'Supply Chain Challenge' which presented suppliers with an incentive to improve their environmental performance and in so doing gain an opportunity to differentiate, reduce costs and target the growing niche market of green purchasers.

The challenge was initially targeted at the Council's top 50 local suppliers. The Supply Chain Challenge was followed by workshop training for these suppliers. The workshops reiterated the environmental business case and provided guidance on available assistance.

Following the adoption in April 1998 of an environmental purchasing policy, Belfast City Council went on to launch a Green Supplier of the Year Award. The award once more reinforced the link between local economic development, environment and purchasing.

Resulting case studies demonstrate how local companies can improve their competitiveness and reduce their environmental impacts.

Source: Belfast City Council, 1997, 1998a, 1998b.

Table 9.2. Belfast City Council – Supply Chain Challenge and supplier awards

Improvement programmes

9.22 Supplier environmental and social improvement programmes are now common in a wide range of industrial and commercial sectors. One of the best-developed systems is that of the do-it-yourself retailer B&Q whose QUEST system is well-known.

The role of eProcurement

9.23 eProcurement offers opportunities to improve the environmental and social performance of the local authority itself and of its supply chain. But from the sustainable development point of view, there are some potential drawbacks associated with the shift to eProcurement that should be borne in mind.

9.24 On the positive side, eProcurement can help local authorities manage their supply base more effectively. It can help ensure that procurors throughout the authority can buy only from green suppliers 'on the system'.

9.25 However, eProcurement also opens up possibilities for procurement from many more suppliers, in many parts of the world, with all of the associated social and environmental risks this brings. So, the manner in which eProcurement is implemented has a bearing on its effectiveness in improving sustainable procurement performance.

9.26 By identifying issues at an early stage, procurors have a better chance of introducing eProcurement systems that help deliver sustainable procurement.

Chapter 10

Access to the local government market and community benefits

Purpose and scope

10.0 This chapter looks at the steps authorities can take to ensure that the local government marketplace is accessible to small suppliers that play an important economic, social or environmental role in the community. It goes on to consider means through which authorities can realise economic, social and environmental benefits for the community through major procurement projects

Access to the local government market

10.1 As set out in the *National Procurement Strategy for Local Government* in England, the Government and LGA are committed to improving the ability of small and medium enterprises (SMEs), social enterprises, ethnic minority businesses and voluntary and community sector suppliers to win local government business. In fact, this is a priority across the whole UK public sector.

10.2 Small suppliers of this kind bring greater competition and innovation to the local government marketplace and are flexible in responding to changing requirements. They frequently offer **specialist** or **tailored products and services**. In addition, they may play an important role in the **local economy** and contribute to **social cohesion.** They often have **environmental goals** too.

10.3 By **building capacity and capability** in these sectors and by **simplifying procurement procedures** and making them more **accessible,** local authorities can benefit from a **diverse** and c**ompetitive marketplace** and help to realise the objectives set out in their **community strategies** including economic development, social inclusion and regeneration.

10.4 A proactive approach is required. Supplier development (as discussed in **Chapter 9**) is one tool that can usefully be deployed. However, it should not have the existing supply base as its exclusive focus. New entrants and other potential suppliers may lack understanding of how to do business with the council.

10.5 The corporate **procurement strategy** is the place to indicate how the authority will encourage a diverse and competitive supply market including SMEs, social enterprises, ethnic minority businesses and voluntary and community sector suppliers. In England, this is a requirement of the *National Procurement Strategy.*

10.6 The *Strategy* further stipulates that authorities should develop a "local compact " with the voluntary and community sector that includes protocols for grant funding and contracts and that authorities will be encouraged to sign up to an "SME-friendly procurement concordat" being developed by the Local Government Procurement Forum with input from the DTI's Small Business Service.

Who are we talking about?

10.7 Some 90% of businesses have fewer than 50 employees and these **small and medium sized enterprises** (SMEs) account for around 50% of UK business turnover. The Office of Government Commerce and the DTI's Small Business Service have published guidance entitled *Smaller Supplier… Better Value?* (www.ogc.gov.uk). It describes the added value and innovation that small firms can offer together with advice on shaping of procurement processes in a way that ensures small firms can participate and demonstrate their strengths.

10.8 **Social enterprises** are businesses with primarily social (and often environmental) objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Most social enterprises are SMEs are they offer similar advantages. DTI *Social Enterprise: A Strategy for Success* (2002) (www.dti.gov.uk/socialenterprise) sets out the Government's vision for the sector. One of the key commitments is to provide advice and guidance (a toolkit) that will improve access to public procurement opportunities. The development by DTI of a "community interest company" (CIC) model is a complementary strand of work.

10.9 There are around 500,000 **voluntary and community organisations** in the UK. These range from small, local community groups to large, established national and international organisations. The sector is important economically. In 2000 it contributed £5.4 billion to GDP and employed 563,000 accounting for 2% of the total workforce. HM Treasury *The Role of the Voluntary and Community Sector in Service Delivery – A Cross Cutting Review* (www.hm-treasury.gov.uk, see Spending Review 2002) identified a significant role for the sector in the delivery of public services and set out 42 recommendations for improving the way funding works.

10.10 An **ethnic minority business** is a business 51% or more of which is owned by members of one or more ethnic minority groups. Or, if there are few owners, where at least 50% of the owners are members of one or more ethnic minority groups. The vast majority of ethnic minority businesses are small firms employing less than 50 people. The Commission for Racial Equality's *Race Equality and Procurement in Local Government* (2003) provides advice on how to widen the supplier base to include such businesses.

Practical steps

10.11 Practical market-opening steps include the following:

- Publish a user-friendly "Selling to the Council" guide which sets out how to do business with the council and place it on the council website
- Proactively market the council as a preferred customer
- Hold "meet the buyer" days and run training events specifically for SMEs, social enterprises, ethnic minority businesses and voluntary and community sector suppliers
- Publish advertisements where suppliers in those sectors are likely to see them (including on the council website)
- Simplify and standardise the forms (pre-qualification questionnaires) used for low value requirements (and ideally in conjunction with other authorities in the region)
- Clearly publicise contact details so that suppliers can discuss the council's requirements
- Make sure contract size and packaging is not a barrier to participation provided EC rules are followed regarding advertising, etc.
- Design procedures and contract award criteria that enable the added value and innovation that suppliers in the target sector can bring to be picked up
- Clearly identify contract award criteria in all requests for quotations and invitations to tender
- Include in all requests for quotations and invitations to tender details of persons to contact should further clarification be required, for example on technical and procurement related matters
- Constructively debrief unsuccessful bidders so that their competitiveness can be improved for the future

Community benefits through major projects

10.12 Community strategies set out how local authorities and their partners propose to promote the economic, social and environmental well-being of the community and contribute to the sustainable development of the UK.

10.13 Provided there is compliance with EC procurement rules and Best Value, local authorities can work with suppliers to realise **"community benefits"** of this kind.

10.14 *The National Procurement Strategy for Local Government* states that in England by 2005 "Every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan" (page 47).

10.15 It goes on to explain (page 50) that this might include "employment, training and enterprise opportunities in the locality and local multiplier effects". In other words, it is broader than the environment and touches on the social and economic dimensions of sustainable development.

10.16 Under EC procurement law, public authorities cannot impose local labour, local sourcing or local sub-contracting requirements on suppliers. That would be contrary to the EC Treaty itself. However, there is nothing to prevent local authorities building into specifications and contracts requirements relating to community benefits to be delivered in a locality, provided that there is no direct or indirect discrimination against non-UK suppliers or workers and the other requirements of EC law are observed.

10.17 So, for example, an authority might decide to enclose its community strategy with the invitation to tender/negotiate for a major project (e.g. housing estate renewal or school building programme) and invite bidders to come back with **proposals and costs** for the delivery of **specified** elements of the strategy alongside proposals for the execution of specified works and services (method statements).

10.18 Or the contract might include, for example, a specific requirement to operate a construction training scheme for local unemployed people as one of the **services to be provided,** reflecting community strategy objectives.

10.19 It is important that the requirements are specific and that proposals are costed. This will maintain **transparency** and a **level playing field for competition.** The added value that bidders can bring to the community strategy will then become part of the competition. Authorities should be careful to phrase their requirements in terms of **benefits** (i.e. outcomes) as far as possible to leave bidders scope to propose innovative solutions.

10.20 It should not be forgotten that in major projects, even when there is a main or prime contractor **small suppliers** will form an important part of the **supply chain.** The *National Procurement Strategy* is reflecting an existing trend when it recommends that authorities should take this into consideration when entering into partnerships. It is increasingly common to require a **"supply chain strategy"** to be tendered as a method statement. This typically lists the various tiers of suppliers, their roles and the strategy for managing them. It affords the opportunity for **dialogue** about the composition of the supply chain.

10.21 This is a challenging new area for both authorities and bidders, but an extremely important one. Authorities must take professional legal advice before taking any action in this area. Further guidance will be provided in future editions of *Sustainability and Local Government Procurement.*

Further reading

Websites

(a) Government

European Union
www.europa.eu.int
Go to DG Environment for information on sustainability and DG Internal Market for procurement. The SIMAP site (www.simap.eu.int) is the place to download EC procurement directives and EC communications on environmental and social considerations in public procurement

Department for Environment, Food and Rural Affairs (DEFRA)
www.sustainable-development.gov.uk
The Sustainable Development in Government website providing information on activities within UK Government departments (supersedes the DTLR "greening government" website). Guidance on procurement and estate management can be found in the Framework for Sustainable Development on the Government Estate.

Office of Government Commerce (OGC)
www.ogc.gov.uk
The UK Government's procurement website. Here you can download guidance on EC public procurement rules and best practices in procurement, including the OGC/DEFRA joint note on environmental issues in purchasing.

Environment Agency
www.environment-agency.gov.uk
England and Wales.

Waste and Resources Action Programme (WRAP)
www.wrap.org.uk
Sponsored by DEFRA. Initially focused on the creation of markets for recycled materials and products. Now expanding into procurement.

Commission for Architecture and the Built Environment (CABE)
www.cabe.org.uk
Sponsored by DCMS and ODPM. Promote good design of buildings and public spaces.

NHS Purchasing and Supply Agency (PASA)
www.pasa.doh.gov.uk
Environment, social and economic initiatives in NHS purchasing.

NHS Estates
www.nhsestates.gov.uk
Sustainable Development in the NHS.

Environmental Protection Agency (US)
www.epa.gov
Environmentally preferable purchasing. Includes product-specific purchasing guides from the US EPA covering food service-ware, copiers, cleaners, carpets, electronics and meetings.

(b) Local Government

International Council for Local Environmental Initiatives (ICLEI)
www.iclei.org
This site includes information on ICLEI's international eco-procurement initiative for local government (Eco Procura) and a Green Purchasing Good Practice Guide.

Improvement and Development Agency (IDeA)
www.idea.gov.uk
The present guidance, plus a wide range of resources on local government procurement. Procurement helpdesk (ihelp@idea.gov.uk) includes advice on sustainable procurement.

Public-Private Partnerships Programme (4ps)
www.4ps.gov.uk
Local government procurement agency focused on supporting public-private partnerships (PPPs) and major projects including design and sustainability issues. Introducing the gateway review process into local government.

WellBuilt!
www.wellbuilt.org.uk
Set up by the Local Government Taskforce (LGTF) for Rethinking Construction (www.lgtf.org.uk) as a network for local authorities procuring sustainable construction.

Society of Procurement Offices in Local Government (SOPO)
www.sopo.org.uk
Help and advice for procurement professionals in local government.

(c) Other organisations (procurement)

Chartered Institute of Purchasing and Supply (CIPS)
www.cips.org
The professional body for purchasing and supply chain management.

Construction Industry Council (CIC)
www.cic.org.uk
Representative forum for the construction industry's professional bodies, research organisations and specialist trade associations. The CIC's Design Quality indicators (DQIs) are available at www.dqi.org.uk.

Construction Industry Research and Information Association (CIRIA)
www.ciria.org.uk
Independent research organisation. Construction Industry Environment Forum (CIEF).

Building Research Establishment (BRE)
www.bre.co.uk
Including the BRE Environmental Assessment Method

Joint Procurement Policy & Strategy Group (JPPSG)
www.jppsg.ac.uk
Information on development of sustainable procurement strategies for the higher education sector.

Environmental Supply Chain Forum
http://www.greensupply.org.uk
Established to respond to the demand for advice and guidance on aspects of environmental and sustainable purchasing and supply chain management. Based at UMIST, Manchester.

Green Net
www.ski.dk
The network for green purchasing within National Procurement Ltd (Denmark).

Considerate Constructors Scheme
www.ccsheme.org.uk Operates a code of practice for improving performance on construction sites

(d) Other organisations (sustainability)

European Partners for the Environment (EPE)
www.epe.be
Gateway to the European Green Purchasing Network. Green Purchasing Workbook.

Business in the Environment (BiE)
http://www.business-in-environment
Business in the Environment is the business led campaign for environmental responsibility of Business in the Community.

Forum for the Future
http://www.forumforthefuture.org.uk
Forum for the Future has produced Sustainable Purchasing in Higher Education - guidance

Centre for Sustainable Design
www.cfsd.org.uk
Research on eco-design and broader sustainability considerations in product and service development. Eco-design checklists

Energy Saving Trust
www.practicalhelp.org.uk
Provides guidance aimed particularly at local authorities.

Carbon Trust
www.actionenergy.org.uk
Similar role to Energy Saving Trust.

Remade
www.londonremade.com
www.remade.org.uk/index.htm
www.remadeessex.org.uk/index.htm
www.clean-merseyside.com
Recycling projects around the country.

Waste Watch
www.recycledproducts.co.uk

Envirowise
http://www.envirowise.gov.uk
UK Envirowise programme

Higher Education Partnership for Sustainability
http://www.heps.org.uk
The Higher Education Partnership for Sustainability of Forum for the Future, including sustainable procurement.

Institute of Environmental Management and Assessment (IEMA)
www.iema.net

(e) Eco-label information

Global Eco-Labelling Network (GEN)
www.gen.gr.jp
Overview of eco-labelling and gateway to websites around the world.

European Union
www.europa.eu.int
The DG Environment site gives the environmental criteria for the award of the EU Flower eco-label. Products currently listed: washing machines, refrigerators, tissue paper, dishwashers, soil improvers, mattresses, indoor paints and varnishes, footwear, textile products, desktop and portable computers, laundry detergents, detergent for dishwashers, copying paper and lightbulbs.

Germany
www.blauer-engel.de
Offers information brochures detailing the experiences gained in 20 years of German eco-labelling and lists the Blue Angel criteria for a range of nearly 100 products of the following groups: paper, office supplies and furniture; electrical products and appliances; heating plants and solar technology; build and renovate; sanitary and hygiene supplies; canteen and kitchen supplies; horticulture; traffic; batteries.

Scandinavia
www.svanen.nu
A website providing the criteria fulfilled by the products and services of 24 product groups, which have been assigned the Nordic Swan eco-label.

Sweden
www.snf.se
Provides lists of the criteria applied for granting the Swedish eco-label Bra Miljoval (Good Environmental Choice) to the product groups: cleansers, dishwasher detergents, laundry detergent, soap and shampoo, stain removers and bleach, toilet cleansers, washing-up liquid, electricity, textile and public transport.

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ISBN 0 7488 9286 6
Stock Code IDEA008
Design IDeA IDT 631

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