

# UK – England

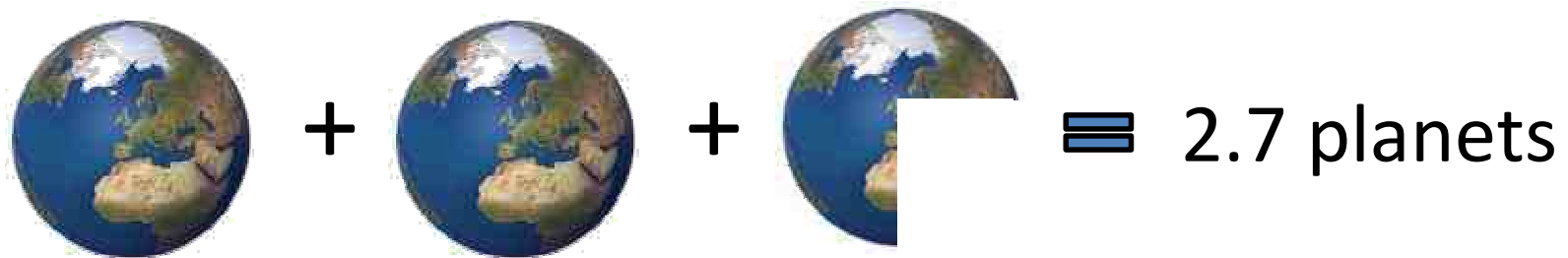
## Sustainable procurement experience in the public sector

Dan Firth & Roger Hinds

# OVERVIEW

# Our Current Consumption

If everyone lived at the UK consumption rates, we would need an additional 1.7 planets...

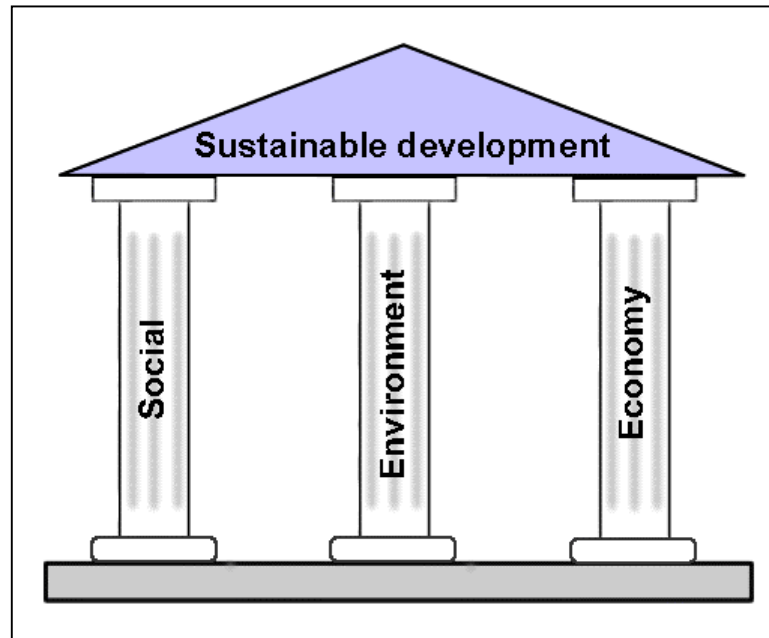


*'The problem with land is they stopped making it some time ago'*

*Mark Twain*

# Definition of Sustainable Development

- Sustainable Development is “development which meets the needs of the present, without compromising the ability of future generations to meet their own needs”, *Brundtland, 1987*



- Sustainability is about making decisions that consider the triple-bottom line of environmental, social and economic factors.

# What is sustainable procurement?

Sustainable Procurement is:

**“A process** enabling organisations to meet their needs for goods, services, works and utilities in a way **that achieves value for money on a whole life basis** in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.”

*Footnote: Sustainable Procurement should consider the environmental, social and economic consequences of: design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.*

# UK public sector procurement spend

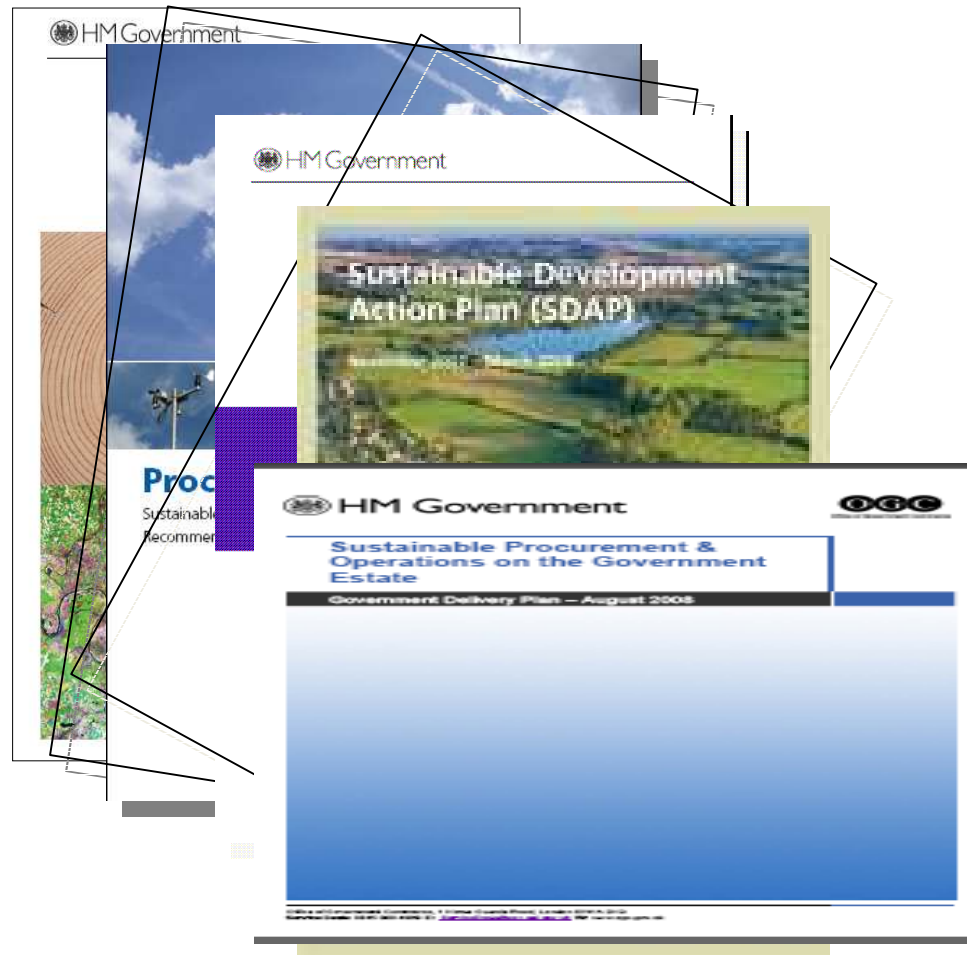
£220 billion

Brazilian Real 587 billion .....

..... 13% of GDP (Gross Domestic Product)

# **SECURING THE FUTURE THE STORY SO FAR**

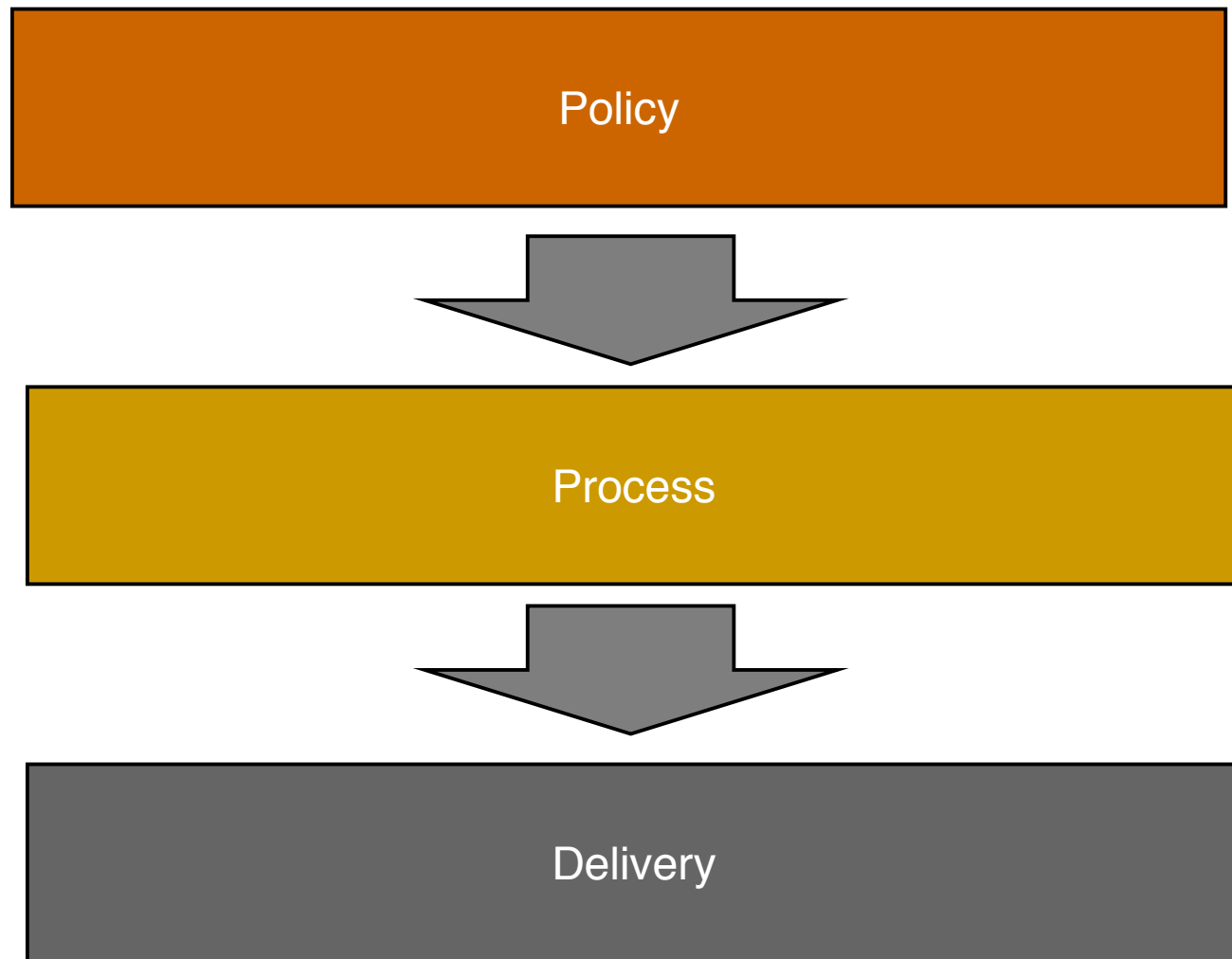
# Securing the future



- Business led Task Force under Sir Neville Simms - set up, May 2005
- Aim: to devise National Action Plan to deliver leadership in sustainable procurement.
- Task Force's recommendations: lead by example, set priorities, build capacity, remove barriers, capture opportunities (Procuring the Future - 12 June 2006).
- Government response included in UK SP Action Plan (5 March 2007) – means for implementing Procuring the Future.
- Securing the Future (SDAP) published November 2005. Second (2007), Third (2009).
- Delivery Plans published . Last update – December 2009.



# Content structure - policy



# Priority policies through procurement (PtP)

Three priority areas: -

1. Resource efficiency focusing initially on carbon emissions
2. SMEs – lowering barriers to their participation, including Third Sector organisations
3. Skills training, apprenticeship opportunities and tackling youth unemployment

*(Based on their contribution to overall economic growth and prosperity)*

# Defra sustainable procurement policies

- Sustainable procurement  
<http://www.defra.gov.uk/corporate/about/how/procurement/documents/sustainable-procurement-statement.pdf>
- Ethical procurement  
<http://www.defra.gov.uk/corporate/about/how/procurement/documents/ethical-procurement-policy-statement.pdf>
- Timber procurement
- <http://www.cpet.org.uk/uk-government-timber-procurement-policy/timber-guidance/>

# OGC sustainable procurement vision

(OGC Office of Government Commerce)

## We're committed to...

A sustainably built and holistically managed central government estate that minimises carbon emissions, waste and water consumption and increases energy efficiency

Procurement activity that benefits the national workforce by embracing positive social and economic goals, green technologies and innovation as specified in wider government policy

Government supply-chains and public services that are increasingly low carbon, low waste and water efficient, which respect biodiversity and deliver our wider sustainable development goals

## We're focusing on...

Meeting our Sustainable Operations on the Government Estate (SOGE) targets to reduce carbon emissions, water consumption, waste arisings and to increase recycling and energy efficiency

Delivering priority government policies through our procurement activity with an initial focus on resource efficiency (carbon), small and medium sized enterprises and supporting skills training, providing apprenticeship placements and tackling youth unemployment

Understanding and improving the carbon, water and waste impacts of central government's supply chain. Our initial priority is reducing GHG emissions

## We'll get there by...

Building effective governance, leadership and pan-government collaboration

Embedding demand management in business and procurement processes

Ensuring business cases assess sustainability

Putting value for money at the heart of our procurement decisions

Buying products that meet our mandatory sustainability standards

Working with our suppliers to build more sustainable supply chains

Building sustainability performance measures into our contracts

Managing our performance through robust metrics and verified data

Building the capabilities of procurers and suppliers

**OUR GOAL:**  
Procuring a sustainable future



# **SDIG TARGETS**

## **SUSTAINABLE DEVELOPMENT IN GOVERNMENT**

# SDiG Overview

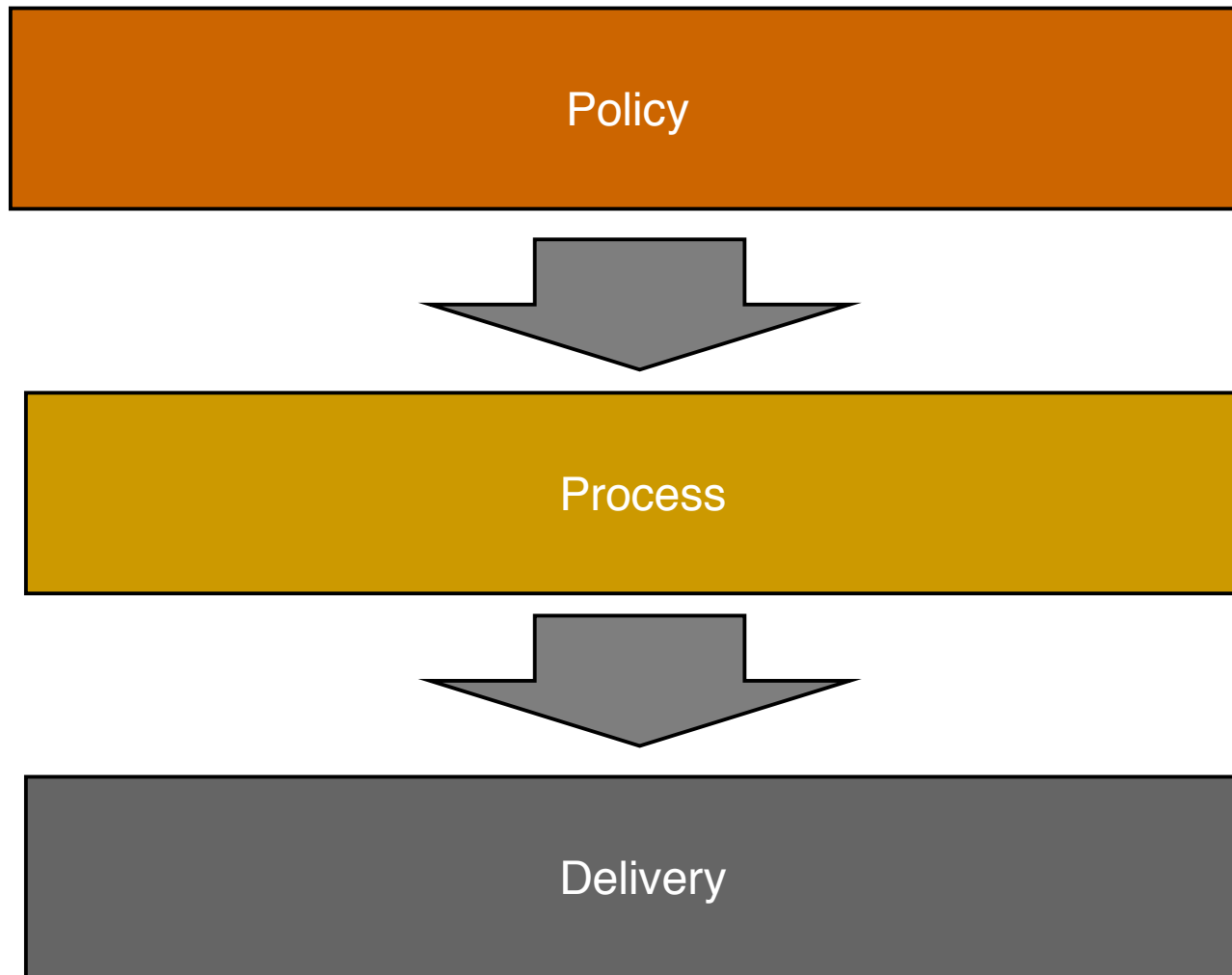
- The SDiG (Sustainable Development in Government) targets set a common agenda for central Government on a number of priority areas for action.
- Drive a step-change improvement in the way that Government manages its land and buildings sustainably. It has also increased in scope to include sustainable procurement targets and more organisation.
- Details of the SDiG targets can be found at <http://www.defra.gov.uk/sustainable/government/gov/estates/sdigtargets.htm>

# Sustainable procurement – helping to achieve SDIG estate targets

Examples:

- Reduce carbon emissions by 10% in 2010-11
- Reduce greenhouse gas emissions, 34% by 2020 (1999/00 levels)
- Carbon neutral office estate by 2012 – subject to spending review
- Reduce waste arisings by 20% by 2016/17 (2010/11 levels)
- Increase waste recovery to 80% of waste arisings by 2016/17
- Achieve a water consumption level of 6m<sup>3</sup> per FTE on office estate by 2016/17 and 4m<sup>3</sup> by 2022

# Content structure - process





# FLEXIBLE FRAMEWORK

# Flexible Framework

- **People**
  - do you have a champion?
  - are your staff trained?
  - do your staff have the required competencies?
- **Policy, strategy and communications**
  - do you have a policy and strategy?
  - are they communicated within your business and to your suppliers?
- **Procurement process**
  - are the lifecycle environmental impacts of the products and services the business uses included in selection and contracting processes?
  - are your CSR principles embedded in contracts?
  - are business sustainability risks included in selection and contracting processes?
- **Engaging suppliers**
  - do the your key suppliers have environmental improvement plans with continuous improvement?
  - do you audit suppliers that represent high CSR risks?
- **Measurements and results**
  - is the environmental performance of your organisation and its key suppliers measured and benchmarked?
  - is sustainability included in individual and team targets?

<b>SPTF Flexible Framework</b>	<b>Foundation</b>	<b>Embed</b>	<b>Practice</b>	<b>Enhance</b>	<b>Lead</b>
	Level 1	Level 2	Level 3	Level 4	Level 5
<b>People</b>	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
<b>Policy, Strategy &amp; Communications</b>	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is: reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The Sustainable Procurement strategy recognised by political leaders, is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
<b>Procurement Process</b>	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value-for-money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.
<b>Engaging Suppliers</b>	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.
<b>Measurements &amp; Results</b>	Key sustainability impacts of procurement activity have been identified. Simple measures based on achieving all aspects of the Foundation level of the flexible framework are put in place and delivered.	Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas. Simple measures based on achieving all aspects of the Embedding level of the flexible framework are put in place and delivered.	Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives. Simple measures based on achieving all aspects of the Practicing level of the flexible framework are put in place and delivered.	Measures are integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced. Simple measures based on achieving all aspects of the Enhancing level of the flexible framework are put in place and delivered.	Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain. Simple measures based on achieving all aspects of the Leading level of the flexible framework are put in place and delivered.

# OVERVIEW OF PURCHASING PROCESS

# Process - Embedding sustainable procurement

- Policy
- Category strategy
- Specific purchase
  - Procurement strategy
  - Tendering (PQQ, ITT)
  - Contract
- Supplier management

If you already have good purchasing practices embedding sustainability is relatively straight forward

# Process overview



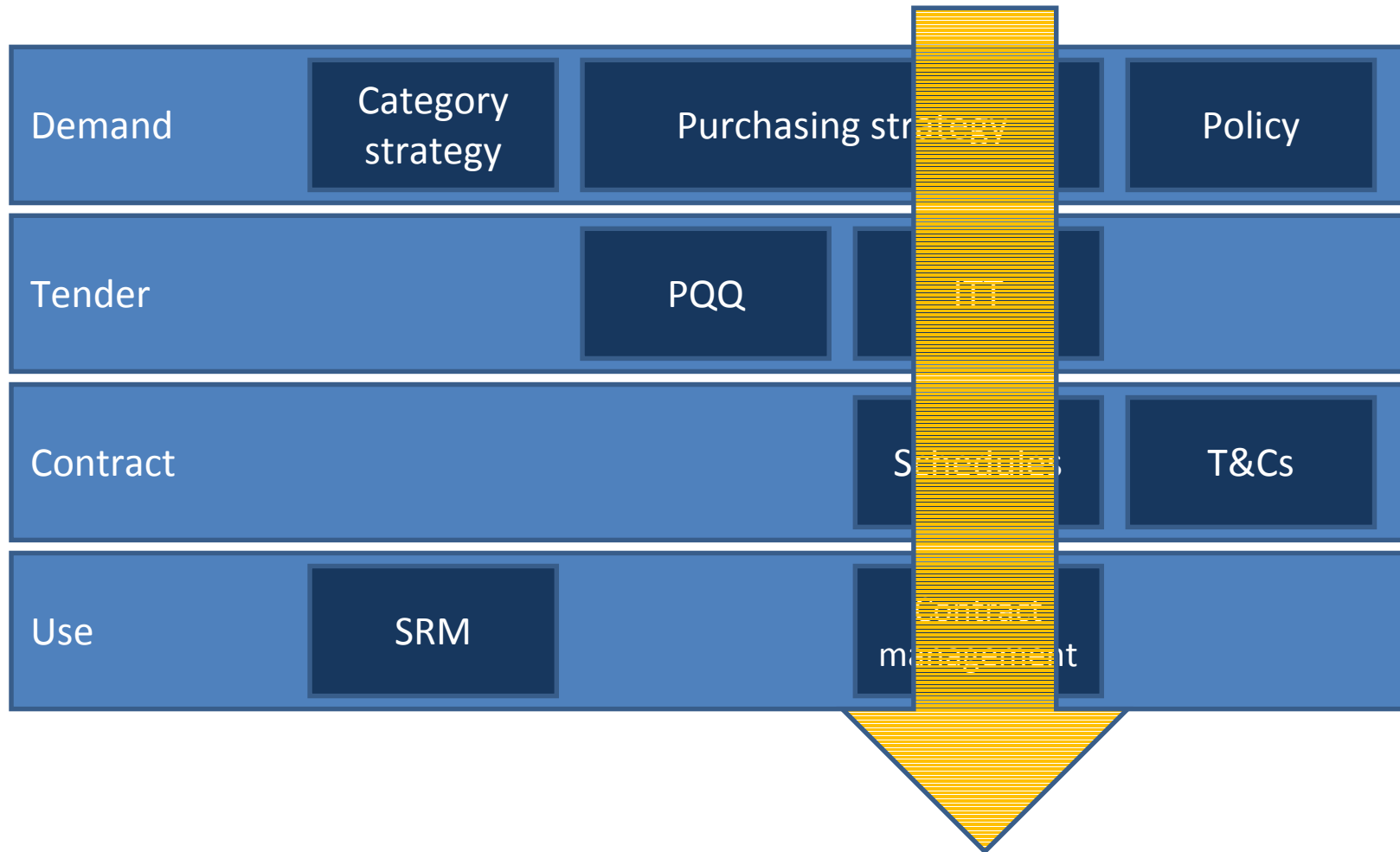
PQQ=Pre-Qualification Questionnaire

ITT=Invitation To Tender

SRM=Supplier Relationship management

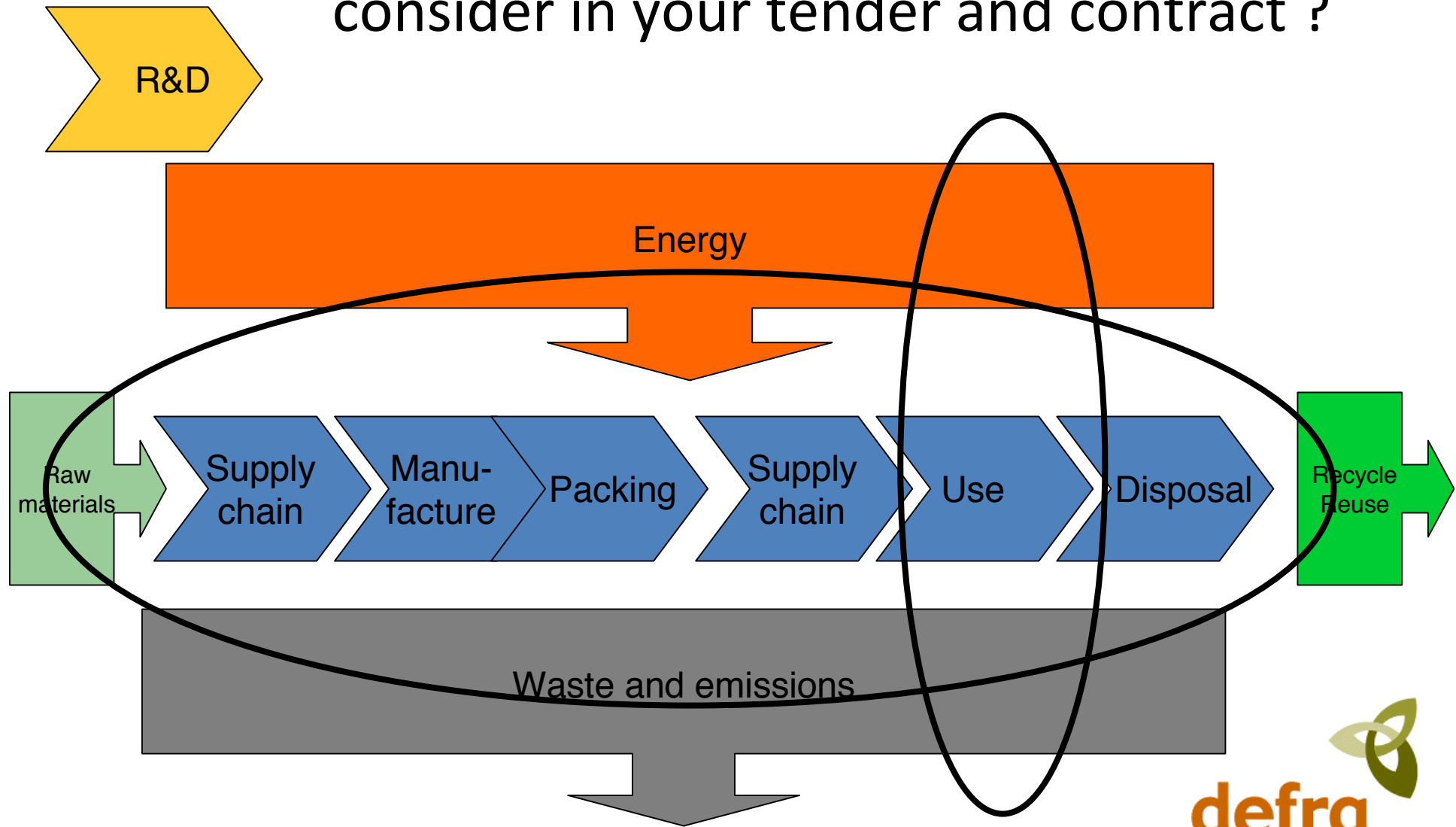
T&Cs=Terms and Conditions

# Sustainability specification



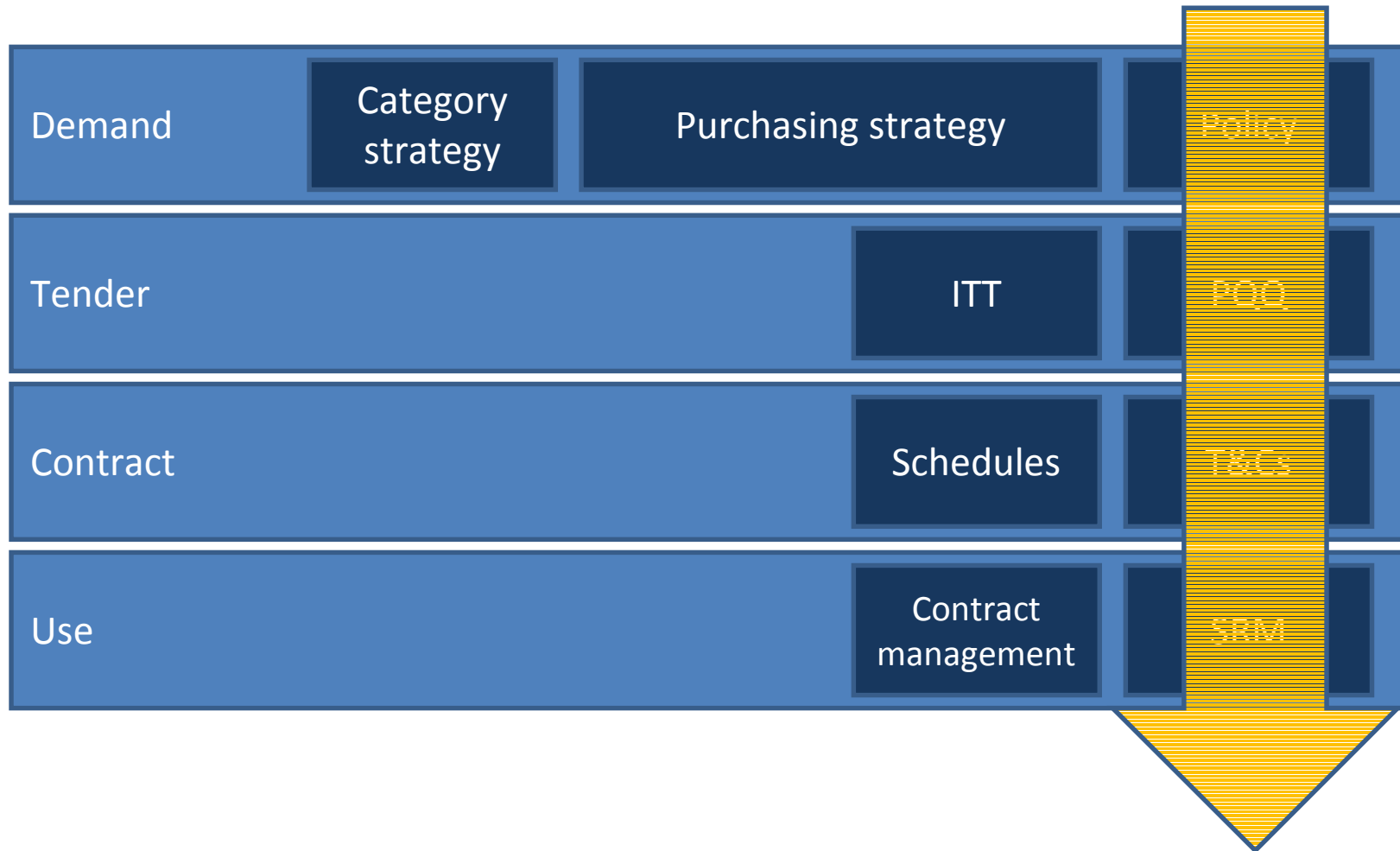
Be clear on how the ITT and schedules will work to deliver the strategy in a manageable way

# Lifecycle - which elements will you consider in your tender and contract ?





# Policy delivery – company performance



Policy = Government policy through procurement & departmental procurement policies

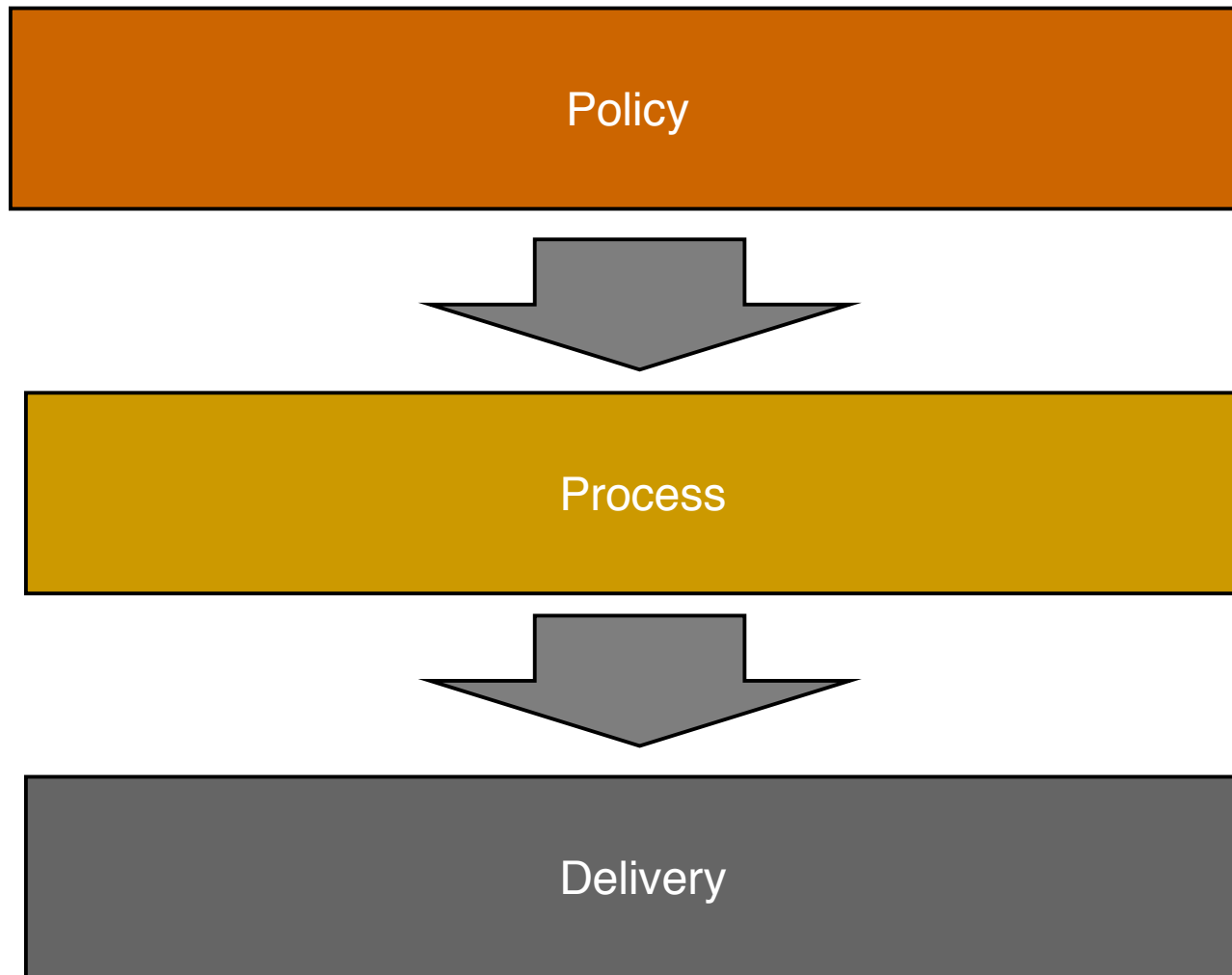
# Individual capabilities

- CSR (Corporate Social Responsibility) capability level identified for all roles in procurement and commercial function
  - Based on GPS (Government Procurement Scheme) capability model
  - Levels: awareness, developing, practitioner, expert
- Will be in Defra 2010 activity and development targets for permanent staff

# Training delivery

- Standard emails are being developed to deliver awareness training
  - Recipients asked to confirm they have read and understood
  - Short quiz to ensure engagement with text
- Monthly masterclass initiated to provide developing and practitioner level knowledge
- Training record maintained (spreadsheet)

# Content structure - delivery



# **CROSS-GOVERNMENT POLICY ACHIEVEMENTS**

# Achievements - policy

- Sustainable procurement - vision for 2015
- Priority policies through procurement:
  - Small and medium-sized enterprises (SMEs)
  - Resource efficiency, initially focusing on reducing carbon
  - Promoting skills through public procurement
- Sustainable timber procurement policy

# Achievements - delivery

- Government Buying Standards
- Carbon Disclosure Project
- Green ICT strategy (July 2008)
- Public Sector Food Procurement initiative (2002)
- Adapting to Climate Change Programme
- Driving Innovation through Public Procurement
- Equality and diversity
- Voluntary Sector involvement

# Expect surprises if you aren't already measuring performance

.... Starbucks found that as much as 50% of their GHG  
emission comes from the whipped cream aerosols



Buying sustainable goods and services

# **GBS GOVERNMENT BUYING STANDARDS**

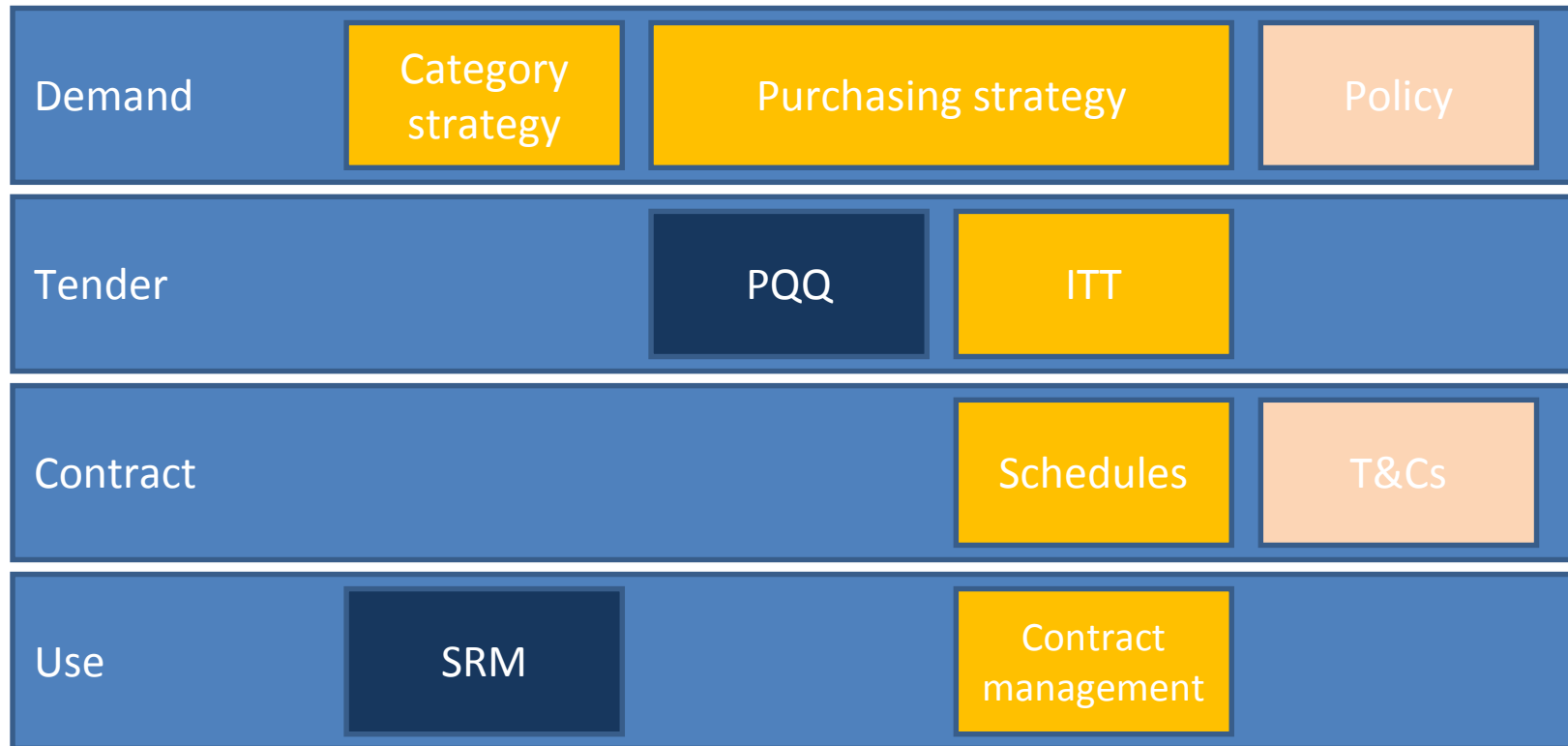
# Government Buying Standards

- Cleaning products
  - Construction
  - Electrical goods
    - Food
    - Furniture
- Gardening services
- Office ICT equipment
- Paper and paper products
  - Textiles
  - Transport

Products which fulfil the criteria provide better value for money over the whole life of the product than products that do not

<http://www.defra.gov.uk/sustainable/government/advice/public/buying/products/index.htm>

# Government Buying Standards



Specific GBS involved

GBS involved at a general level

Encouraging suppliers to operate more sustainably

# **SUPPLIER ENGAGEMENT**

# Supplier engagement

- CDP (Carbon Disclosure Project)
  - Suppliers submit GHG data to CDP
  - OGC lead
  - Defra in 3<sup>rd</sup> year of use
- SRM (Supplier Relationship Management)
  - with key suppliers
- Supplier assurance
  - OGC lead initiative
- Supplier voluntary charter
  - Engage suppliers on what we would like them to deliver but can't specify contractually
  - OGC lead initiative
- Audit
  - Environment Agency audit 20 suppliers / year
- Caeser
  - Sustainability data collection tool
  - used by Home office and HMRC (customs)
  - Natural England piloting

# Defra's Suppliers' web site

<http://www.defra.gov.uk/corporate/about/how/procurement/index.htm>

- **Policy statements -**  
<http://www.defra.gov.uk/corporate/about/how/procurement/policy.htm>
- **Government sustainability requirements –**  
<http://www.defra.gov.uk/corporate/about/how/procurement/sell/gov.htm>
- **Tools and guidance –**  
<http://www.defra.gov.uk/corporate/about/how/procurement/sell/tools.htm>
- **Support for businesses -**  
<http://www.defra.gov.uk/corporate/about/how/procurement/sell/business.htm>

# Defra's Procurement of Information Technology

- Roll-out of laptops with in-built and activated power management.
- Refresh programme incorporates significant energy efficiency measures that should achieve a 25% reduction in carbon footprint of Defra network.
- Much of this to be achieved through the purchase of more energy efficient equipment (meeting Government Buying Standards) and greater rationalisation, especially of printers.
- Working in partnership with IT provider and sub-contractor to achieve 97%+ recycling rates by weight

# Case study: composting of Defra's food waste

- Recycling contractor identified for pilot scheme in one of Defra's London kitchens
- Food waste separated onsite and collected weekly
- Diverted 2.8 tonnes of food waste from landfill in first 3 months.
- Rolled out across all canteens and small kitchen areas on Defra's London estate (4 buildings)
- Scheme has reduced general waste collections - more than offsetting the costs of the initiative and carbon emissions from food waste collections
- Scheme is permanent with 30 tonnes diverted from landfill between January 2008 and December 2009
- Compost produced used for local environmental projects, schools, and public parks



## **Case study: Department for International Development's procurement of units to improve voltage supply**

- DFID researched technologies to improve energy efficiency & reduce carbon emissions
- In 2008 procured equipment to tackle over voltage in its electricity supply to London HQ – major factor in reducing consumption by 14%, saving £6K a month

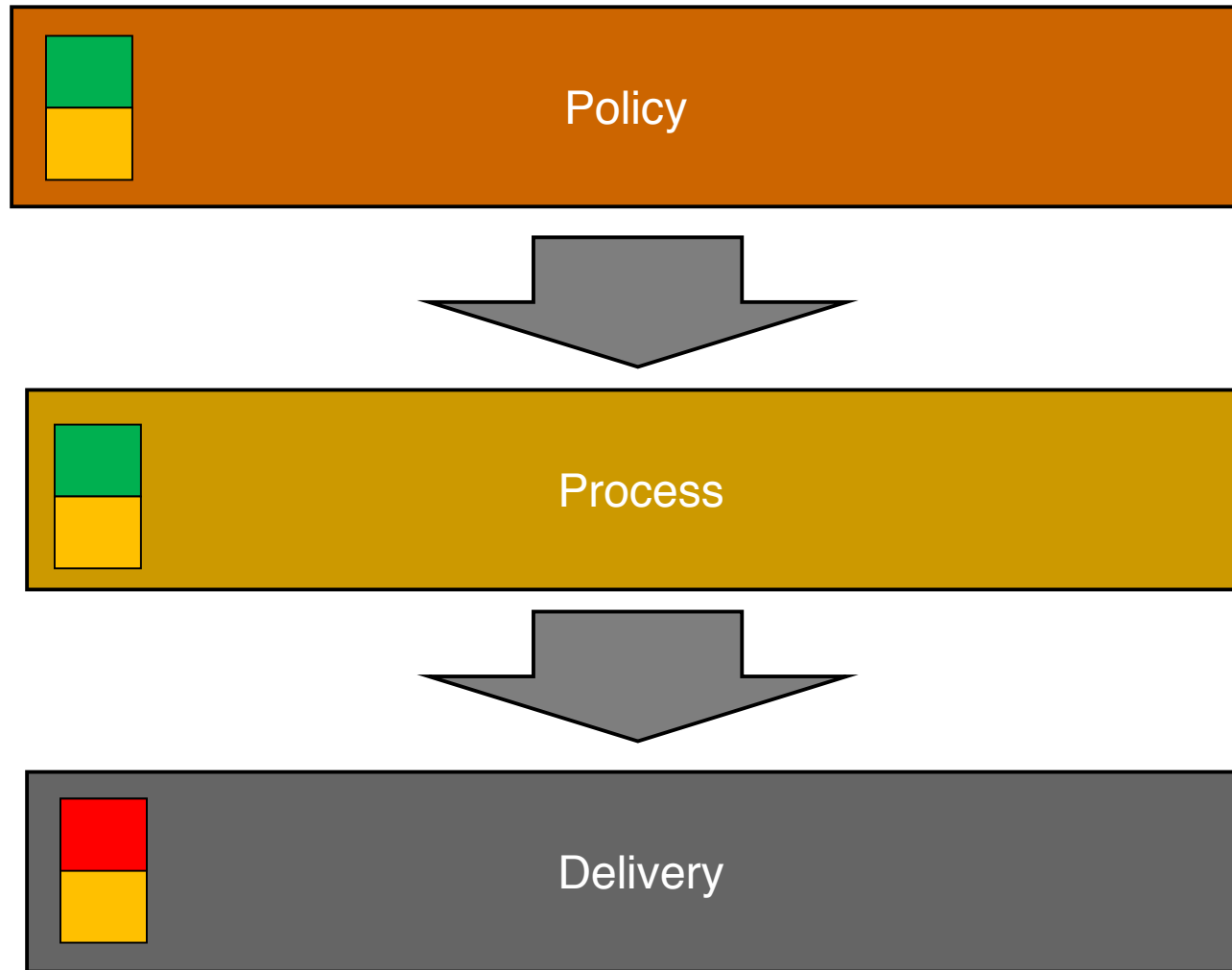
Note:

- Voltage supply from UK's National Grid is 242V.
- But majority of electrical equipment is manufactured to European standards designed for 220V and will operate effectively down to 200V.
- Forcing appliance to operate at a higher voltage leads to much higher energy consumption, increased heat loss and reduced life span.

# Case studies

- Peterborough City Council procured 'Night-Watchman' power management solution software for 4,500 PCs – 30% of which were typically left on during out-of-office hours. It produced an annual cost saving of £50,000 and a reduction of 250 tonnes carbon dioxide (CO<sub>2</sub>) per year.
- The procurement of fresh local ingredients is enabling Nottingham City Hospital and the Queen's Medical Centre to prepare meals with a daily plate saving of £2.50 per patient - that is more than £6m a year.

# Defra current status



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**THANK YOU**