

# SUSTAINABILITY AT WORK: PROCUREMENT, SUPPLY CHAIN AND LOGISTICS



**E**very organisation procures goods and services to enable it to function effectively and achieve its objectives. These goods and services may include IT equipment, food, building materials, consultancy services and much more besides. As an example of the extent of the impact of procurement practices, the UK public sector alone spent £150 billion on procurement in 2005 – some 13% of GDP.

## WHAT IS SUSTAINABLE PROCUREMENT?

Sustainable procurement involves taking social and environmental considerations into account alongside financial factors when deciding which product or service to procure. It also involves looking at the costs of a product or service over its whole life, considering running costs, lifespan and disposal costs, as well as acquisition costs.

It can also involve looking at the supply chain for a particular product. This involves considering the impacts of products which accrue before you buy them and after you dispose of them; for example, manufacturing and final disposal impacts. This is increasingly important within the retail sector where ethical supply chain management attracts considerable attention from stakeholders. The most sustainable procurement practices will involve factoring these considerations into your decision-making alongside the impacts that the product has during your ownership of it.

The Government's Sustainable Procurement Action Plan states that 'sustainable procurement is good procurement'.

*More specifically, it means ensuring that:*

- government supply chains and public services will be increasingly low-carbon, low-waste and water-efficient, and will respect diversity and deliver wider sustainable development goals
- the central government estate is sustainably built and managed in a way that minimises carbon emissions, waste and water consumption and increases energy efficiency
- properties and roads are sustainably built and managed throughout the public sector.

The Action Plan sets out a series of goals that define how central government will move towards sustainable procurement. In conjunction with HM Treasury's White Paper *Transforming Government Procurement*, the Action Plan supports the Government's ambition to be among the EU leaders in sustainable procurement by 2009.

The Sustainable Procurement Action Plan and *Transforming Government Procurement* also make up the central government response to the report and recommendations of the Sustainable Procurement Task Force. The NHS and local authority responses were published in the autumn of 2007.

## WHAT ARE THE BENEFITS OF SUSTAINABLE PROCUREMENT?

*There are a number of organisational benefits to be derived from adopting a sustainable procurement policy, including the following:*

- It can offer an opportunity to reduce costs; for example, by reducing energy demand through procuring more efficient boilers or products with a longer lifespan, meaning that replacement purchases have to be made less frequently.
- It can stimulate innovation in the marketplace and encourage new product development.
- Supply chains are a potential source of risk. Managing procurement sustainably can help organisations to mitigate these risks and protect reputation.
- Procuring from a sustainable source helps ensure security of supply.
- It contributes towards other organisational objectives such as community strategy priorities for local authorities or Corporate Social Responsibility (CSR) agendas.
- It helps organisations to comply with environmental law.
- Improving social, environmental and economic conditions has wider health benefits for society.

## HOW CAN AN ORGANISATION DEVELOP A SUSTAINABLE PROCUREMENT PROCESS?

The Sustainable Procurement Task Force developed a 'Flexible Framework', setting out five levels of maturity within a number of areas of sustainable procurement (People; Policy, Strategy and Communication; Procurement; Engaging Suppliers; Measurements and Results). The Framework can be used as a basis for developing a sustainable procurement process as it provides details of the actions an organisation should take to achieve each level of maturity.

By building sustainability into the procurement process at an early stage, the Metropolitan Police has increased by 500% the amount of recycled content products they procure.

A number of tools and other pieces of guidance have been produced to help organisations to develop sustainable procurement processes including the following:

- The Office of Government Commerce (OGC) and Defra have produced a 'Joint Note on Environmental Issues in Purchasing', showing how environmental issues can most effectively be taken into account during the procurement process. The OGC has also produced a note on considering social issues during the procurement process. Both documents break down the procurement process into five steps and explore the opportunities for building sustainability in at each stage: Identifying a Procurement Need; Creating a Product/Service Specification; Selecting Candidates for Tender; Tender Evaluation; and Contract Management.
- OGCbuying.solutions' 'Top Ten Procurement Tips for Sustainability' provides a quick checklist of simple activities that can be undertaken to improve the sustainability of procurement.
- Waste & Resources Action Programme (WRAP) works in partnership to encourage and enable organisations and consumers to be more efficient in their use of materials and to recycle more things more often.
- Specifically for local authorities, the LEAP GPP website contains a suite of tools and guidance showing how to develop and implement a sustainable procurement strategy. The Sustainable Procurement Information Network has a number of useful tools to help local authorities improve their procurement process, including model specification clauses for food supply contracts, case studies and toolkits.
- The Mayor of London's Green Procurement Code is a free support service helping London-based organisations to procure recycled products.
- Tools and guidance for improving procurement practices in the NHS can be found in their Good Corporate Citizen toolkit, developed in conjunction with the Sustainable Development Commission. Forum For The Future has also developed sustainable procurement tools for local authorities and the NHS.
- The Scottish Executive has developed guidance on public procurement and sustainable development which explores issues such as whole-life costing, value for money and the purchaser's role in the procurement process.
- There are a number of sites that look at particular issues relating to procurement. Examples include the OGC guide to sustainable procurement in relation to construction and the NHS Purchasing and Supply Agency guidance on waste procurement.
- The European Union has also produced its own *Buying Green Handbook* covering public procurement.
- The Ethical Trading Initiative is an alliance of companies, non-governmental organisations (NGOs) and trade union organisations which promotes and works to improve the implementation of corporate codes of practice which cover supply chain working conditions. Sedex (Suppliers Ethical Data Exchange) is a web-based system that enables member companies to share data on labour practices in the supply chain. The SA8000 Standard and verification system is a credible tool for assuring humane workplaces based on the International Labour Organisation conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

## HOW CAN PROCUREMENT FROM SMALL TO MEDIUM-SIZED ENTERPRISES (SMEs) AND LOCAL BUSINESSES BE INCREASED?

Research by the New Economics Foundation suggests that every £1 spent with a local supplier is worth £1.76 to the local economy,



compared with only 36p if it is spent outside the area. This means that spending locally is worth almost 400% more to the local economy.

Research by the Welsh Assembly Government indicates that for every 1% extra spent on procurement within Wales, 2000 jobs are created. Their charter for SME procurement aims to promote access to the public sector marketplace.

Increasing tenders from small and local producers is also one of the aims of the Public Sector Food Procurement Initiative. One potential means of achieving this is by breaking down large procurements into smaller 'lots', as this may enable SMEs to effectively compete for contracts.

The third sector also has a role to play in delivering sustainable procurement. Details of how they can contribute to the health and social services sector can be found in the Department of Health report *No excuses*. Increasingly, social enterprises are becoming involved in delivering public and private sector services. A social enterprise is a business that trades for a social or environmental purpose, reinvesting the majority of its profits to further these goals.

The Northern Ireland Central Procurement Directorate has produced guides both for SMEs seeking to widen their customer base to include the public sector and for public sector purchasers seeking to procure from SMEs.

## SHARING BEST PRACTICE

There are an increasing number of networks which offer advice and support and an opportunity to share knowledge around developments in sustainable procurement, including the following:

- Sustainable Procurement Cupboard, used by practitioner networks from central government, the NHS and local government to share best practice
- NHS Sustainable Procurement Network
- Wakefield Council Beacon Authority Learning Network, which offers advice and support for local authorities
- Built Environment Sustainable Procurement Network
- BIG-Net, a 'buy it green' network for sustainable procurement professionals in Europe



- Ethical Corporation’s social network for individuals dealing with responsible supply chain management
- Ethical Trade Initiative’s multi-stakeholder approach to addressing the labour and human rights practices within an organisation’s supply chain

### ARE THERE ANY MINIMUM ENVIRONMENTAL STANDARDS THAT AN ORGANISATION SHOULD COMPLY WITH IN RELATION TO PROCUREMENT?

Increasingly, companies are being benchmarked on their sustainability performance; for example, FTSE4Good and Dow Jones Sustainability Indexes. Many of these indexes set minimum levels of expected performance. FTSE4Good has published criteria for supply chain labour standards that they expect identified companies to meet in order to maintain a place in or enter the index.

Central government departments are expected to meet certain minimum environmental standards when procuring common products such as IT equipment, white goods and construction materials. These standards are set out in the Defra-owned *Quick Wins* publication, hosted on the Government's sustainable development website.

Procura+ is an initiative designed to help support public authorities across Europe in implementing sustainable procurement. The campaign has looked at six product groups that have a particularly high potential for sustainable procurement activities, and has developed a set of simple purchasing criteria for each. The products are: buses, cleaning products and services, electricity, food and catering services, IT products and building construction and renovation.

From 1 April 2009, only timber and timber products originating from independently verified legal and sustainable sources, or from a licensed Forest Law Enforcement, Governance and Trade (FLEGT) partner, will be demanded for use on the government estate – appropriate documentation will be required to prove it. From 1 April 2015, only legal and sustainable timber will

be demanded. The Central Point of Expertise on Timber Procurement's website provides details of how public sector buyers and their suppliers can meet the UK Government's UK timber policy requirements.

The International Labour Organisation promotes minimum social standards, including: rights at work, encouraging opportunities for decent employment, enhancing social protection and strengthening dialogue on work-related issues.

In the Energy White Paper, the Government committed to achieving an average carbon performance of 130g/km CO<sub>2</sub> or lower for new cars in the government fleet by 2010-11. It will apply to all new cars bought for administrative purposes and will help government to meet the wider target of a 15% reduction in carbon emissions from road transport across government by the same year.

### WHAT ARE THE KEY LOGISTICAL CONSIDERATIONS?

The transportation of raw materials and manufactured products poses a key risk to sustainability, particularly in the private sector. In 2004, for example, it is estimated that 33.7 million tonnes of carbon dioxide were emitted as a result of domestic freight transport.

*In the same year the breakdown of carbon dioxide emissions by mode of domestic freight transport was as follows:*

|           |       |
|-----------|-------|
| HGVs      | 78.5% |
| Vans      | 13.3% |
| Waterways | 6.8%  |
| Rail      | 1.1%  |
| Pipeline  | 0.3%  |
| Air       | 0.1%  |

The overwhelming sustainability issue associated with transport is its significant contribution to the emission of greenhouse gases and particulates. It has been estimated that freight transport accounts for approximately 6% of total carbon dioxide emissions in the UK (based on 'end-user' values). Further implications of this include the social costs such as congestion, accidents, noise pollution and the destruction of roads that arise from freight transportation.

The Climate Change Working Group of the Commission for Integrated Transport (from which the above figures were taken) provides a more detailed analysis of UK carbon dioxide emissions.

Since the mode of transport a company elects to employ to transport goods can have such a significant impact on the level of carbon dioxide produced, it is therefore of the utmost importance that appropriate and informed decisions are made.

There are several sources of information available to help organisations make the most environmentally sound decisions in term of transportation. These include the Department for Transport's Freight Best Practice website, Defra's *Reducing the External Costs of the Domestic Transportation of Food by the Food Industry* study and publications by the Sustainable Development Commission.

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The key objective of public procurement professionals is to ensure that the most suitable supplier is selected to provide goods and services on terms which are likely to offer the best value for money. The PASS service helps you meet this requirement and deliver contracts that offer best value-for-money terms with suppliers who will execute them efficiently.

## PASS CONSULTANCY

BIP's *Procurement Advice and Support Service (PASS)* provides organisations with access to experts in public procurement practices and procedures, thus helping you develop and deliver effective and efficient procurement. Our team offers a range of services to meet your specific needs. Whichever area you wish evaluated and improved, we have the experts to help.

*The PASS consultancy's mission is to help you deliver the best in government procurement through:*

- Practical solutions to improve procurement performance
- Innovative approaches to knowledge transfer within government
- Joined-up government
- Improved performance indicators
- Strategic direction and performance
- Opportunities offered by e-government
- Capacity to deliver change to meet identified needs
- Continuous improvement of services and challenging poor performance
- Sustainable development within decision-making processes and delivery of services
- EU-compliant processes
- Best practice procurement training

## PASS TRAINING

Our consultants can provide you with bespoke training packages to suit your needs. Consultancy and training is available for the following: environmental purchasing, partnering, evaluation, e-government, supplier debriefing, UK legal processes and precedents, contract management, EU-compliant tendering and much more.

## PASS ONLINE GUIDANCE

The PASS service provides online guidances on all aspects of the public procurement process and legal requirements: [www.bipsolutions.com/html/briefing.php](http://www.bipsolutions.com/html/briefing.php)

## PASS – EFFECTIVE DISPUTE MANAGEMENT

Contractual and procurement-related disputes are time-consuming, expensive and unpleasant. They can destroy client/contractor relationships, can add substantially to the cost of the contract, and can nullify some or all of its benefits or advantages. They can also have an impact on value for money. It is therefore in everyone's interest to work at avoiding disputes in the first place. Inevitably, however, disputes do occur and when they do the importance of a fast, efficient and cost-effective Alternative Dispute Resolution (ADR) procedure cannot be overstated. If a dispute arises, it is important to manage it actively and positively and at the right level in order to encourage early and effective settlement. Unnecessary delays and inefficiency can lead to rapid deterioration in relations and entrenchment of opinions. ADR through PADRE mediation involves the use of a trusted expert third party and is an effective alternative to litigation. PADRE mediation is provided by experts in contracting and public procurement. If you would like more details on how PADRE can help your organisation and become your mediation service of choice, telephone the PASS team on **0845 270 7055** or email [pass@bipsolutions.com](mailto:pass@bipsolutions.com).

## PASS HEALTH CHECK

The PASS service can help your organisation examine its current procurement organisational structures, strategies, processes, practices and related strengths and weaknesses. It delivers a detailed *PASS Mark Health Check Outcome Highlight Report (OHR)* that outlines areas of strength as well as those requiring further attention, and provides an outline *Project Initiation Document (PID)* designed to deliver a more effective and efficient tendering process that will help you achieve optimum performance and better value-for-money procurement.

## PASS IN-HOUSE PRESENTATIONS

PASS consultancy can provide you with in-house presentations directed to buyer or supplier. Each presentation will be bespoke to your requirements, whether they be with regards to improving your tendering practices or your procurement strategy or processes. Contact: [pass@bipsolutions.com](mailto:pass@bipsolutions.com)



The *PASS Mark Health Check* is a process-based evaluation technique that helps identify how your company can develop more effective processes when tendering for public sector contracts.

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