

REPORT TO: Business Efficiency Board

DATE: 25th February 2009

REPORTING OFFICER: Strategic Director - Corporate & Policy

SUBJECT: Flexible Framework on Sustainable Procurement

WARDS: N/A

1.0 PURPOSE OF THE REPORT

To outline the Government's plans for introducing the "Flexible Framework on Sustainable Procurement", and to identify the actions that should be taken to ensure Halton is able to meet their expectations of the role expected of local authorities.

The aim of the Framework is to ensure goods, services, works & utilities procured by the Council are designed, procured used managed and disposed of in an environmentally and socially responsible way. Action will be needed to further embed sustainability into the Council's procurement processes

Sustainable Procurement is defined as – **'A process whereby organisations 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 procuring organisation, but also to society and the economy, whilst minimising damage to the environment'**.

2.0 RECOMMENDED: that

The Board recommends that the Council endorses the Sustainable Procurement Policy (Appendix 2) and approves the actions necessary to enable Halton to meet the challenge of the Flexible framework in that,

- Sustainable Procurement Champions are identified at both member and executive level
- Key Procurement Officers are identified and trained at senior level to act as mentors to other procurement staff in their directorates
- Progress on the Flexible Framework, be monitored by the Procurement & Commissioning Group and regular reports on progress be made to the Board.

3.0 SUPPORTING INFORMATION

Sustainable procurement takes into account the social, economic and environmental impact that such purchasing has on people and communities whilst still achieving value for money. It means improving the efficiency of public procurement while at the same time using public market power to bring about major environmental and social benefits locally and globally.

The Government expects local government, and indeed all public bodies to procure goods and services in a sustainable way. Within the UK Sustainable Development Strategy “Securing the Future” (2005) – Sustainable Consumption and Production was set as one of the priority areas for immediate action. The business led Sustainable Procurement Task Force was established to bring about change in public sector procurement practice. The Governments’ aim is for the UK to be a leader in sustainable procurement by 2010.

In March 2007, the Government published the “UK Government Sustainable Procurement Action Plan” detailing how it intends to take Sustainable Procurement forward in the public sector. Following consultation in the summer of 2007, the flexible framework, (see Appendix A) was published to enable local authorities to be benchmarked against how well we are addressing sustainability issues compared to other local authorities.

In addition, the Local Government Association (LGA) published its Commission report on Climate Change (December 2007) which recommended local authorities concentrate on sustainable procurement as a major means of cutting carbon levels, both within the organisation and in their areas. The new Local Government Performance Framework includes National Indicators 185, 186 and 188, which recognises local authorities role to lead on efforts to both reduce carbon dioxide emissions and consider climate change adaptation.

In 2005 the Government introduced the Sustainable Development Strategy (Securing the Future) to “lead by Example” when spending public money. The *Sustainable Procurement Task Force* was established in May 2005, and developed an action plan to bring about a step-change in sustainable public procurement, with the aim of being a leading EU nation on sustainable procurement by 2009. Whilst the Strategy was aimed at the government estate, it sets out a benchmark for all public authorities. Whilst these are soft targets for local government, it is likely that progress against this framework will be considered in assessments and reviews in the future. Halton should be working to meet the challenge

In 2007 the Taskforce agreed a National Sustainable Procurement Action Plan. This introduced The Flexible Framework on Sustainable Procurement, which sets out targets across 5 topic areas and to 5 levels. The Framework is reproduced under Appendix 1

The Levels are;

- 1 Foundation
- 2 Embed
- 3 Practice
- 4 Enhance
- 5 Lead

By April 2009 all public sector organisations are expected to reach level 3 (or above) of the flexible framework with leadership (level 5) in at least one area by

December 2009. To date, some of the requirements have partially been achieved.

In order to achieve the foundation level we must identify Sustainable Procurement Champions at member and executive level and, to identify the key officers with a role to play in sustainable procurement to focus attention on the Councils commitment to sustainability. A simple sustainable procurement policy has been prepared (see Appendix 2) and is recommended that this is endorsed for adoption by the council

It will be necessary to address initial training issues on sustainability with targeted refresher courses at appropriate intervals. The cost to commissioning external training will need to be met but it is not envisaged this will be a significant sum.

4.0 THE FLEXIBLE FRAMEWORK

The Topic Areas as identified by the framework are summarised below

4.1 People.

In terms of this topic in the Flexible Framework key staff should have advanced training on sustainable procurement principles with regular refresher training. Sustainability should be included in their appraisals, competencies, selection criteria and induction programme. If the Flexible framework is to be achieved it will be necessary to have a development plan for key procurers and ensure high levels of competence are maintained.

4.2 Policy Strategy & Communications.

These must be endorsed by the CEO, regularly reviewed and enhanced to recognize new technologies and linked to Environmental Management Systems and the Corporate Strategy.

4.3 Procurement Processes.

All key contracts must be assessed for sustainability risk and impact and improvement targets agreed with suppliers. A life cycle approach and analysis must be in place for key commodities and performance indicators agreed with suppliers with rewards or penalties based on achievements. Barriers to sustainable procurement must be removed.

4.4 Engaging Suppliers.

Suppliers will be targeted to promote continual sustainable improvement and attention to supply chain mapping. Key suppliers should be audited on sustainability and supply chain issues as part of the Contract Management process, with recognition of achievements. The Chief Executive Officer is expected to engage with suppliers to underline the vital role of sustainability as a factor in maintaining their supplier status.

4.5 Measurements & Results

Sustainability impacts and appraisals of procurement activity have been undertaken and high-risk impact areas managed. Results are measured and used to drive the sustainability strategy forward and to benchmark with Peer organizations. The council should ensure its achievements are publicised and its status used to demonstrate its commitment to the sustainability agenda.

5.0 WHERE ARE WE NOW

We have partially achieved The Foundation Level (level 1) and if the recommendations of this report are accepted and actioned we will be in a position to complete this level. Achievement of Level 2 will require sustainable procurement to link up to any wider Sustainable Development Strategy of the Council.

6.0 THE NEXT STEPS

The Procurement & Commissioning Group (P&C) will formulate a plan to map progress on the achievement of the Flexible Framework cross all Directorates, with the aim of reaching Level 3 by December 2009 and Level 5 by 2011 as per Government Targets. The P & C Group will require enthusiastic representatives from all key-procuring areas to play a major part in driving and achieving the requirements of the Framework

The initial steps will be

- Identify Member and Executive Officer Champions.
- Adopt the Sustainable Procurement Policy in Appendix 2
- Identify the Key Procurement Officers within each Directorate.
- Develop a key skills Audit & Training Plan for Procurement Officers
- Define an evidence base to ensure key procurement exercises have been planned incorporating sustainability impact & assessment considerations and monitoring.
- Use a key supplier spend analysis to identify any at risk suppliers to enable Contracting Officers to ensure high risk impact areas are effectively managed.

7.0 POLICY IMPLICATIONS

The Corporate Procurement Strategy and Policy will be revised and updated to include sustainable procurement ethics that are linked to the Community Strategy and Corporate Plan

8.0 OTHER IMPLICATIONS

Procurement is a cross cutting topic for all of the Councils Business. Procuring Officers will need to clearly demonstrate that they have considered sustainability issues in all aspects of their tenders.

9.0 RISK ANALYSIS

There is a reputational risk to the Council if it fails to deliver on the issue of sustainable procurement. The Audit Commission's Use of Resources Assessment from 2008 introduces KLOE that focus on commissioning and procuring supplies & services that deliver sustainable outcomes. In order to maintain our position Halton must continue to address increasing expectations in terms of sustainability.

10.0 EQUALITY AND DIVERSITY ISSUES

Sustainability is linked to the socio-economic and environmental facets of Equality & Diversity

Appendix 1

Sustainable Procurement Action Plan –(Annex C of the Flexible Framework)

| <i>Flexible Framework</i> | Foundation | Embed | Practice | Enhance | Lead |
|--|---|---|--|--|---|
| | Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
| People | 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. |
| Policy, Strategy & Communications | 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. |
| Procurement Process | 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. |
| Engaging Suppliers | 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. |
| Measurements & Results | Key sustainability impacts of procurement activity have been identified. | Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas. | Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives. | 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. | 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. |

Appendix 2

Draft Sustainable Procurement Policy

Sustainable Procurement Policy – October 2008

Halton Council recognises that it has a leadership role in advocating sustainable development, through its procurement of buildings goods works and services. Procurement decisions have a major social, economic and environmental impact both locally and globally now and for future generations.

The Council will aim to develop awareness and expertise in accordance with the Flexible Framework on Sustainable Procurement:

People

Educate train & encourage purchasing & procurement officers and commissioners to review their consumption of goods services, reduce usage and waste, and consider more environmentally friendly alternative products.

Communicate the sustainable procurement policy to all staff, suppliers, members & other stakeholders

Policy Strategy & Communications

Where appropriate the Council will determine whether a contract can be evaluated against sustainable criteria not just lowest cost, and communicate this to staff, suppliers and stakeholders.

Assess the environmental and corporate risks in the supply chain and seek suppliers who are able to commit to improving sustainable performance.

Use Purchase Spend Analysis to identify potential environmental impacts

Investigate opportunities for the re-cycling and reuse of materials where appropriate.

Work in partnership with other organisations such as buying consortia to improve sustainable procurement

Procurement Process

Promote best practice for sustainable procurement

Recognise appropriate environmental credentials through the tendering process and award of contracts

Where possible and practicable specify the use of environmentally friendly goods

Ensure specifications do not preclude suppliers from submitting environmentally friendly goods that will be fit for purpose

Engaging Suppliers

Ensure that low value and OJEU contract opportunities are made available via Council web sites and regional procurement portals

Address barriers for Small & Medium Enterprises, local suppliers and voluntary sector organisations to encourage them to bid for Council Business.

Ensure suppliers are aware of the Council's environmental and sustainable objectives

Work with key suppliers to extend sustainability improvements throughout the supply chain.

Measurements & Results

Comply with all relevant health & safety, diversity, disability and employment legislation

Work to attain the targets set out by the Sustainable Task Force and the National action Plan